



# REPORT

of the

## SPECIAL COMMITTEE

Appointed at the 1948 Session

of the Alberta Legislature

to study

## ALL PHASES OF AUTOMOBILE INSURANCE



February 15, 1949.



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To the Legislative Assembly,  
Province of Alberta.

On March 22, 1948, the Legislative Assembly of Alberta passed the following motion:

"That a special committee consisting of: Honourable Mr. A. J. Hooke, Chairman; Mr. H. G. Hammel, Mr. H. B. Macdonald, be appointed to inquire into all matters relating to automobile insurance with a view to ascertaining the advisability or otherwise of the Government providing automobile insurance to the people of the Province, and if so, the basis on which such insurance should be provided and that the Committee submit its report at the opening of the next regular session of the legislature."

I have the honor to submit herewith the report of the findings of the Committee.

In undertaking its work, the Committee was fully aware of the grave responsibility which had been placed upon it. It was realized first that the results of its investigations would have an important bearing upon efforts to reduce the number of motor vehicle accidents in the Province of Alberta, and so, from the standpoint of loss of life and personal injury, as well as with respect to damages and other economic losses suffered in accidents of this nature, the importance of the whole field under review was held to be incalculable. Moreover, in attempting to formulate measures which would help meet the problem it was soon evident that distinct philosophies—not only of the questions immediately involved, but of the whole approach to the general welfare of the community—were dominating considerations.

With these points in mind, the Committee has made its inquiry as comprehensive as circumstances and time would permit, and has unanimously agreed upon conclusions which are contained in this report.

A. J. HOOKE,  
Chairman.

# I—INTRODUCTION

## REVIEW OF THE ALBERTA SITUATION

The question of regulating the operation of motor vehicles is naturally of comparatively recent origin. Measures adopted from time to time have endeavored to keep pace with the development of the motor car, but only after the need of their adoption has been established. Of even more recent origin is the idea that education for motorists and pedestrians alike is essential if the appalling toll of accidents involving motor vehicles is to be checked. In fact, this idea is only now receiving the attention that its importance deserves.

It was in 1911 that the first Act governing the operations of motor vehicles in Alberta became law. That year there were 1,613 motor vehicles registered for the Province. This number increased rapidly until in 1933 the total was 85,000; while at the end of October, 1948, the corresponding figure was 163,000 vehicles.

The Vehicle and Highway Traffic Act of Alberta replaced The Motor Vehicle Act in 1924, and Financial Responsibility provisions were adopted in this Province in 1933. Under the latter, the license of the operator of a motor vehicle may be suspended until he has satisfied any judgment against him as the result of an accident, and he has filed proof that he is financially responsible for damages which may arise out of subsequent accidents.

The next major step took place in 1947 when The Automobile Accident Indemnity Act was passed. By this an unsatisfied judgment fund was set up, to be used for the payment of judgments arising out of motor accidents where the defendant was unable to meet the claim.

The following year an amending Act, called The Motor Vehicle Accident Indemnity Act, was passed. This is similar in principle, but new provisions include authority for the Minister in charge to order the impounding of any designated motor vehicle involved in an accident.

In many quarters throughout the Province there are those who feel that still further action is needed. It has been said that the impounding provisions put into effect in Manitoba and later adopted by British Columbia are the "teeth" required to make Alberta's legislation effective. In both these provinces, all vehicles involved in any accident are seized by the police without regard to fault, unless proof of financial responsibility can be produced on the spot. Further, the Manitoba law impounds all vehicles owned by those involved, again regardless of fault.

There has been, in addition, an interest shown in the operation of Saskatchewan's plan of compulsory insurance. Reports from our neighboring province have attracted considerable attention in Alberta, but the reports were both vague and conflicting.

This brings us to the appointment of the present Committee charged "to inquire into all matters relating to automobile insurance with a view to ascertaining the advisability or otherwise of the Government providing automobile insurance to the people of the



Province, and if so, the basis on which such insurance should be provided."

### **PUBLIC QUERIED**

The first step of the Committee was to ascertain the views of the public. In keeping with the basic conception of democracy, this presumes that the people will make their demands known. Accordingly, representations were invited from organizations and individuals through advertisements prominently displayed in leading Alberta newspapers and publications circulating among insurance circles throughout Eastern Canada. In addition, considerable publicity was received through the press at the time of the Committee was established, all of which indicated clearly the purpose of the Committee.

The response from the public generally was poor.

In order, therefore, to get the facts the Committee decided to secure first hand information from both Saskatchewan and Manitoba, the former because of its experience with compulsory state-operated automobile insurance, and the latter because the Manitoba Safety Responsibility Law has been called the most effective example of legislation of its kind.

Did the Saskatchewan Government have the solution in their compulsory insurance scheme? And further, would it prove effective as well as acceptable if applied to Alberta?

Were the "teeth" in Manitoba's Law actually reducing the accident frequency on highways in that Province?

Was there an alternative answer to the needs of the people of Alberta?

These were the questions to which the Committee sought the answers.

### **INSURANCE OR COMPENSATION?**

The purpose of all legislation regulating the use of motor vehicles should be to ensure greater safety on our highways, and to protect from loss (relating to person or property) the victims of negligent drivers. Insurance and legislation involving the financial responsibility of motorists share these purposes.

A plan of complete compensation, on the other hand, consists of payment to all regardless of fault, and while it may be argued that this principle is more adequate from a social welfare standpoint, it undoubtedly reduces the safety factor to a bare minimum. In other words, a compensation plan accepts the assumption that accidents are inevitable, and nothing can be done to prevent them, and in its effect tends to encourage carelessness.

Early in its discussions the Committee agreed that the elimination of carelessness was of equal importance to the compensation for losses sustained as a result of negligence, and that every possible step should be taken with these ends in view. It was agreed that the emphasis must be placed on prevention, with compensation following as a matter of course where loss is sustained in spite of caution.

## FOUR BASIC METHODS

Traffic laws, rules of the road, etc., are designed to prevent accidents. But where the strict enforcement of these laws leaves off, four alternative methods for the protection of the public against loss through motor accidents can be considered.

A brief outline of each method is included here to indicate the scope of all known approaches to the subject. That is to say, as far is known at present, the only possible remedy for this phase of the problem is contained in these measures alone or in varying combinations.

### 1. Compensation Plan:

First mention of a scheme to abolish fault as a basis for liability appears to have been made about thirty years ago.

In 1928 a study of this subject was undertaken by a committee sponsored by the Columbia University, and its findings were published for general information in 1932.

The Columbia scheme proposes the imposition of liability on motorists for personal injury or death caused by the operation of their vehicles without regard to fault. A scale of benefits comparable to workmen's compensation benefits replaces judgments now awarded the victims of negligence by the courts, after application has been made to an administrative board.

Advantages claimed for the scheme include compensation for all victims of motor accidents, speedier settlement of claims since liability need not be established, and the abolition of litigation.

These advantages are off-set by the fact that while compensation is paid to many who are, at common law, entitled to it, the irresponsible driver, the drunken pedestrian or some one who may actually have caused an accident are compensated as well. Furthermore, it is not apparent why such a plan should be confined to victims of automobile accidents. In other words, if the principle of compensation as contained in the Columbia scheme were to be adopted, why should it not cover loss arising out of all accidents? In spite of the gravity of automobile accidents, statistics are available to prove that fatalities in the home far out-number those caused by motor vehicles, and that in regard to non-fatal injuries, the spread is even more amazing.

A further disadvantage is that it is liable to encourage fraudulent claims where no motor vehicle was involved. The costs of investigation, among other things to establish that the accident was in fact due to the operation of a motor vehicle, largely off-set the reduced costs of administering the plan as claimed by its advocates.

Another outstanding disadvantage held by many is that a compensation plan in itself does not encourage greater care in driving. It is reasonably obvious, in fact, that the opposite is true. The knowledge that compensation will be paid in any event, undoubtedly encourages the motorist to take greater risks.

In this connection it is interesting to note that loss ratio in both fire and automobile insurance dropped considerably during the

war. In the automobile field, gasoline rationing and speed control were pertinent factors. But in both automobile and fire insurance, there can be do doubt that greater care was responsible for the improvement . . . greater care inspired by the knowledge that in the event of accident or fire, repairs were difficult and replacements virtually impossible to obtain.

Extraordinary precautions against loss were taken by the insured, because of the difficulties he would then face in the physical rather than the financial sphere.

The point here is that the greater the difficulty in recovering possible loss, the greater care will be taken to avoid it. And conversely, the less difficulty the less care. In automobile as in fire insurance, there is need for that extra measure of responsibility; and the knowledge that compensation will be paid regardless of fault removes this important incentive to be careful.

The following table shows the loss ratio (the percentage of losses of premiums earned) reported by all companies writing insurance in Alberta:

	Fire	Automobile
1940	39.09	53.08
1941	55.39	45.02
1942	42.09	41.55
1943	34.08	35.85
1944	56.16	47.18
1945	58.92	57.43
1946	54.52	63.00
1947	58.34	67.84

**2. Compulsory Insurance**

Compulsory insurance is law, in varying forms, in Britain, Sweden, Denmark and Norway, several Australian states, New Zealand, the State of Massachusetts, and the Province of Saskatchewan. The usual procedure is to demand the purchase of automobile insurance as a prerequisite for obtaining a license, but in Saskatchewan this is coupled with the necessity of obtaining minimum insurance from the licensing authority. While the factors involved in each country may differ widely, there are at least two general conclusions which may be drawn from all:

1. Beyond limits justifiable as being in the public interest, the principle of compulsion is abhorrent to freedom-loving individuals.
2. The plan does nothing to promote safer driving or accident prevention.

The record of compulsory insurance outside of North America is not particularly applicable here. In Great Britain, for instance, the possession of a motor car has been something of a luxury, owned by those in the better financial position. Automobile insurance was carried even before it became a compulsory measure by 90 to 95 per cent of the total owners, and so its effect on the people and on the accident picture has been unnoticeable. In the Old Country, too, there is only one car, truck or pleasure vehicle to every 23 persons . . . as compared with one for every 5.2 persons in the Province of Alberta.

Turning to the State of Massachusetts, we find that in the ten years following the adoption of compulsory insurance, registrations of motor vehicles increased approximately 20 per cent, but in the same period injuries in motor accidents increased 88 per cent, collisions 46 per cent and claims increased 140 per cent. Rates increased also, and coverage has been progressively reduced. It has been said that the whole question of automobile insurance in Massachusetts has been subject to political control, including many cases where insurance was issued to those whose records would otherwise have kept them off the road. Claims have increased very substantially, and this applies also to fraudulent claims by persons attempting to prove that other injuries resulted from motor accidents.

Speaking before the New York Bar Association in 1941, the Insurance Commissioner of Massachusetts had this to say:

"Many people believe that the enactment of a compulsory automobile law is the solution of the problem of safety. Nothing could be further from the truth. A careful examination of the Massachusetts Compulsory Motor Vehicle Law fails to indicate a single provision which is conducive to highway safety."

It does not seem possible to say that compulsory insurance has proven an unmixed blessing to the State of Massachusetts, for if it had, other States would have been quick to adopt a similar measure. It is significant that no other State nor Province (except Saskatchewan) has done so, even though accident prevention and safety responsibility have been subject to the most intense study from all quarters.

### **3. Financial Responsibility Laws.**

These laws recognize the fact that every person who is legally responsible for damages arising out of a motor vehicle accident should be in a position to pay those damages. To this end the law says in effect that driving privileges of negligent parties shall be suspended until a judgment arising out of an accident is satisfied, and further, that the negligent party shall file proof of his financial ability to take care of any subsequent damages. Proof of financial responsibility consists of an insurance policy, a guarantee bond, or cash deposited with the authority specified.

There are two major criticisms of this law. First, it is effective only if a judgment is rendered against the negligent operator, and in many cases, where recovery of damages seems doubtful, the victim will prefer to drop the matter rather than spend money to obtain a judgment which he feels cannot be collected. In such cases, the negligent driver continues to menace the highways.

The second objection to this type of legislation is that it makes no provision whatever with respect to the first accident, its terms being applied only after this has happened.

Since financial responsibility legislation was first adopted by the State of Connecticut in 1926, most of the States and the provinces of Canada (excepting Quebec), have enacted similar provisions as part of their motor vehicle or highway traffic acts.

#### **4. Safety Responsibility Laws.**

This is a development of the financial responsibility law. Adopted first in the State of New Hampshire the example has since been followed by a large number of the American States. It was introduced into Canada by the Province of Manitoba in 1945, passed by Alberta in slightly modified form and adopted by the Province of British Columbia shortly afterwards.

This type of legislation is designed to make the motorist recognize his personal responsibility for safety on the highways. Further it endeavors to overcome the defects in financial responsibility provisions by applying them to the first accident. An unsatisfied judgment fund is made up out of a levy on every owner of a motor vehicle and collected along with the license fee. From this fund, payment is made for judgments obtained against negligent drivers who are unable to pay damages awarded, and until the fund is reimbursed by the judgment debtor, his driving privileges are suspended.

As has already been pointed out, in Alberta the Minister may authorize the impounding of any motor vehicle involved in an accident where circumstances suggest this action is necessary. In the case of Manitoba and again in British Columbia, the law provides that every vehicle registered under the names of all parties involved in an accident is impounded **immediately, regardless of** fault, unless those parties are carrying proof of financial responsibility at the time of the accident.

Further details of the Manitoba plan together with a comparison between it and the Alberta law will be dealt with in a later section of this report.

## II—SASKATCHEWAN'S AUTOMOBILE INSURANCE PLAN

### FIRST STEPS

In September of 1945, a special committee was established in Saskatchewan to study the problem of compensation for the victims of automobile accidents. As a result of recommendations made by this committee to the Government The Automobile Accident Insurance Act was passed in the spring of 1946.

The Act provided that, at the time the license for any motor vehicle was obtained, all owners had to pay a fee of \$5.00 plus a personal premium of \$1.00 per driver, and for this additional amount compensation benefits were provided, regardless of fault, for victims of motor vehicle accidents and death benefits to dependents of persons killed in such accidents.

Death benefits provide \$3,000 for the primary dependent, and \$625.00 for each secondary dependent up to a total of \$10,000 in respect of any one accident. Dismemberment benefits are provided on a fixed scale ranging from \$250.00 for the loss of a thumb to the maximum of \$2,000 for the loss of both feet or both hands. Supplementary allowances are made for medical services according to a specified schedule, and weekly indemnities are payable on a scale which will bring the income of the injured person up to \$20 per week. This may continue for 52 consecutive weeks or in the case of totally disabled persons until the total of payments reaches \$2,400. In fatalities \$125 are payable for funeral expenses.

At the end of the first year it was found that the plan had accumulated a surplus of nearly three-quarters of a million dollars. This, the committee was told, indicated that rates could be reduced or more benefits could be provided. It was decided to follow the latter course, and so collision insurance with varying "deductibles" was added in April, 1947.

At this same time a change was made in premium rates. Instead of the \$5.00 premium, private passenger cars were divided into two classes. On those having a wheelbase of not more than 111 inches, the rate was lowered to \$4.50; on those exceeding 111 inch wheelbase, the rate was increased to \$6.00. In addition, the personal premium of \$1.00 per driver was still maintained, and in each class the deductible was \$100.00.

The premium rates and amounts deductible in collision claims vary widely according to the class of vehicle. For example, on buses the rates range from \$100 to \$400 and the deductibles range from \$100 to \$500. Again, on taxicabs the compulsory rates range from \$100 to \$150, with a deductible of \$250 for all classes.

Rates on other main classes of vehicles, together with amounts deductible in each case, are shown below:

Public Service Vehicle	Rate	Deductible
Not exceeding $\frac{1}{2}$ ton capacity:		
Class A (General Merchandise over specified route)	\$ 10.00	\$100.00
Class E (Fuel Petroleum tanks)	15.00	100.00
Class D (Milk, dressed poultry)	10.00	100.00

Not exceeding <b>6 tons</b> gross weight:		
Class A	25.00	150.00
Class E	50.00	150.00
Class D	25.00	150.00
Not exceeding <b>10 tons</b> gross weight:		
Class A	45.00	250.00
Class E	71.00	250.00
Class D	33.00	250.00
Not exceeding <b>17 tons</b> gross weight:		
Class A	85.00	500.00
Class E	195.00	500.00
Class D	85.00	500.00
<b>Farm Truck</b>		
Not exceeding <b>1/2 ton</b> capacity	5.00	100.00
From <b>1 1/2 tons</b> to 2 tons	8.00	100.00
Exceeding 2 tons capacity	10.00	150.00
<b>Commercial Vehicle</b>		
From <b>1/2 ton</b> to 1 ton capacity	15.00	100.00
From 1 to 2 tons	28.00	100.00
Exceeding 2 tons	45.00	150.00
<b>Motorcycle</b>		
Without side car	13.00	100.00
With side car	9.00	100.00

## SECOND YEAR'S OPERATIONS

Operations under the Act for the second year again resulted in a surplus, and so, rather than reduce the rates in effect, the coverage was again increased to include public liability and property damage. These applied from April 1, 1948. Limits under the public liability clause were set at \$5,000 for one person and \$10,000 for any one accident. Property damage was set at a maximum of \$1,000 in any one accident, with \$100 deductible in respect of any accident occurring within Saskatchewan, but with full coverage for accidents occurring outside of that Province.

Such, then, are the main provisions of Saskatchewan's Compulsory Insurance Plan. The license plates constitute the policy, and the terms, benefits, and so forth are all contained in the Act. The compulsory plan applies to every motorist in the Province, less than 20 per cent of whom had carried any form of insurance prior to the passing of the Act.

## FIRST 21 MONTHS

From April 1, 1946, to the end of December, 1947 (a period of 21 months), compulsory collections under The Government Automobile Insurance Act amounted to \$2,305,634.

In that same period, 2,645 persons were injured and 114 were killed in motor accidents. Accident benefits and death benefits paid to dependents amounted to slightly over \$682,000. Under the collision cover as established April 1, 1947, to the end of that year motorists were paid a total of \$577,083 on approximately 2,800 vehicles which were damaged in excess of the amounts deductible . . . in no case less than \$100.

This means that of the \$2,305,634 collected, the total of benefits paid was \$1,259,083.00 leaving a surplus going into the fiscal year of 1948 of a little over one million dollars. It was at this point that the Government decided to extend the coverage to property damage and public liability, in respect of which no statistics are available to date.

It was pointed out that in Saskatchewan the idea of compulsory insurance was to replace financial responsibility provisions and further, that there was no need for the unsatisfied judgment fund because all motor vehicle owners and drivers are covered under the Act.

Officials at Regina admit two chief reasons for their initial showing noted above: First, acquisition costs are negligible; and second, the risk is spread over 100 per cent of the motorists.

At this point also it is worthy of note that the successful operation of any automobile insurance scheme depends to a large extent upon the geographical and other factors which apply in the area concerned. The Province of Saskatchewan is admittedly ideal from this standpoint, and the results shown by their compulsory plan could not be duplicated in any other province. Saskatchewan is extremely flat. There are few thickly settled areas where traffic congestion is a problem, a fact which has long been recognized by regular insurance companies whose rates have been the same for urban and rural motorists, a condition not existing in any other province. Still another factor working to the advantage of Saskatchewan is that a large percentage of the automobiles are tied up during the winter months, and so motor traffic during this period is reduced far below what it is in Alberta.

From its inception in 1945, the Saskatchewan Insurance Office offered to the public standard automobile insurance at rates comparable to those charged by private companies. Figures supplied by the Superintendent of Insurance for Saskatchewan for the year 1946 indicate that while the Saskatchewan Government Office wrote premiums totalling \$128,923.00 the total premiums written by private companies amounted to \$811,758.00. During the same year, the Saskatchewan Government Insurance Office collected by compulsion under the Act, a total of \$849,791.91. During the year 1947, according to figures supplied by the Saskatchewan Superintendent of Insurance, the Saskatchewan Government Insurance Office wrote premiums totalling \$185,084.00 as compared with \$908,246.00 written by private companies. That same year, compulsory collections amounted to \$1,455,842.00.

It is worthy of note that in the adjustment of claims, the practice has been established that private companies are liable for claims in full arising out of accidents involving cars covered by them, the attitude of the Government being that if the private companies collect the standard premiums, they should be liable for the total risk before the compulsory insurance applies. However, when private companies have sold "excess" insurance—that is, their policies fill in the gaps left by the compulsory plan—the claim is pro-rated according to the risks assumed by the Government Office and the private companies.

This practice has been widely criticized by the private com-



panies who charge that it is an attempt to evade the Government's just liabilities at the expense of the private insurers. Apart from that, there is little doubt that it is a substantial factor in the loss experience of Saskatchewan's compulsory plan.

### **THE "PACKAGE" POLICY**

To fill the gaps between the compulsory plan and standard insurance coverage, a "Package Policy" was offered through the Saskatchewan Government Insurance Office to owners of private passenger cars only. This policy went on sale April 1, 1948, and has been sold to those desiring it for \$18.80. Insurance agents selling the "Package" Policy are paid a commission of 25 per cent.

Additional cover provided by the Package Policy is listed under five headings which are:

1. Fire, theft and transportation insurance up to actual cash value of the automobile.
2. Collision (Deductible reduced from \$100 to \$25).
3. Public Liability; an additional \$10,000 for one person and \$20,000 for one accident, thus bringing the total limits (with the compulsory cover) under this clause to \$15,000 in respect of any one person and \$30,000 in respect of any one accident.
4. Property Damage; an additional \$2,000 insurance bringing the maximum amount payable under the Act plus the Package policy up to \$3,000.
5. Extra coverages against loss to radio in car through collision, fire and theft; damage to automobile by windstorm, earthquake, riot, explosion, falling aircraft and flood.

### **REPORTING CLAIMS**

There has been a substantial acceleration in the reporting of claims in Saskatchewan. This is the experience of the State of Massachusetts also where claims almost doubled through the first ten years of operation. In Saskatchewan, the public know that in event of an accident they are eligible for compensation and so are "claims-conscious." In fact the reporting of claims is facilitated by providing stamped post cards for the purpose. These are available at the nearest police centre and are filled in when any one suffers personal injury or property damage apparently in excess of \$50.00.

### **REPAIRS TO AUTOMOBILE**

The Saskatchewan plan has been widely criticized in regard to repairing automobiles damaged in accidents. It has been charged that repairs must be made at government garages. No conclusive evidence was found to support this charge. In many cases, it was admitted, the damaged car was taken to a government garage or an approved garage, but only where the local garage did not possess adequate facilities to do the job.

It was said by Government officials that approximately four per cent of the damaged automobiles are repaired in government garages.

According to information supplied to the Committee by responsible government officials, the procedure is generally as follows: The damage is estimated by an adjuster. Suppose the estimated damage to a private automobile in Saskatchewan is \$340.00. Of this amount the owner of the vehicle is responsible for the first \$100 under the Act, and so the Government offers to pay \$240 in cash or as an alternative to get the repairs made at an approved garage, less the \$100.

For another example, say an automobile worth \$140 is totally destroyed. Under the Act a minimum of \$50.00 is paid to the owner, and his loss therefore is \$90.00.

Carrying this principle still further, the committee could see where the necessity of paying \$6.00 (\$4.50 for vehicles having a wheelbase under 111 inches), would work to the disadvantage of owners of old cars. In the case where a vehicle is worth less than \$100, there will be no coverage in respect of collision. It was pointed out, however, that owners of such cars are protected against public liability and property damage up to the same limits as the owners of any other type of car. The same procedure is followed in connection with all accidents, but the deductibles vary from \$100 on private automobiles to \$500 in the case of certain public service vehicles.

Another criticism which inquiry established as ill-founded is that no provision is made for laying up the vehicle during winter months. Standard practice under these circumstances is to turn in the license plates, and when this is done, a rebate is made according to a set schedule. A disadvantage to this procedure was seen in the lack of fire and theft insurance, protection considered essential even while the vehicle is in storage.

It was found also that neither the license nor the insurance is transferable, but when a car is sold a short-rate refund is made to the original owner. This applies to insurance under the Act and to the Package Policy if it is in force.

### **COMPENSATION BENEFITS**

It has already been pointed out that under the Saskatchewan Act, compensation for bodily injury or death resulting from a motor accident is paid according to a fixed schedule. A basis for criticizing such a plan presents itself immediately, and that is each individual, regardless of personal skill or ability, is eligible for the same amount. This works well enough in the field of industry where the job, rather than the individual, is classified; but beyond that, the Committee believes such a plan would be most inequitable. For example, the payment for the loss of a thumb is \$250, and this amount is paid to all who sustain such an injury. Without questioning the worth of a thumb, it is obvious that such a handicap could be more easily overcome by a school teacher than by, say, a surgeon or a musician.

### **COMPARATIVE COSTS OF INSURANCE**

Considerable publicity has been given to the statement made by supporters of the Saskatchewan Compulsory plan to the effect that for \$6.00 you get the same insurance coverage that costs over

\$45.00 in Alberta. This claim is even more effective when it is pointed out that smaller automobiles are insured under the Saskatchewan Act for \$4.50.

In examining such a statement many facts which have a direct bearing on the matter must be taken into consideration.

For example:

1. Rates charged by private companies are based on the accident frequency and experience applying in each particular locality. It has already been stated that conditions in Saskatchewan are as near ideal for automobile insurance purposes as possible. In Alberta there is more mountain driving, larger centres of population and more driving during winter months. The Province of British Columbia is in an even less favorable position on these points.

Assuming the basic charge of \$6.00 is adequate for the limited coverage provided by the Saskatchewan Government, it will be obvious that the same limited coverage in Alberta would cost considerably more. This is proven by the fact that private companies, whose rates are based upon actuarial computations and loss experience, supply coverage in Regina and Saskatoon for forty dollars whereas they must charge \$60 in Edmonton and Calgary and \$73.20 in Vancouver for the same coverage.\*

Further, the coverage provided by the compulsory insurance is admittedly basic or minimum insurance. That it is insufficient coverage must have been obvious as well to the Saskatchewan Insurance Office when they deemed it necessary to provide the Package Policy to give what they call "adequate protection."

2. The figure quoted for the compulsory policy is the basic rate, that is, for the automobile alone. In addition to a driver's license fee of \$1.00 per year, each operator or driver must pay a personal premium of \$1.00 and so, if there are three or four members of one family who drive the same car, the basic rate of \$6.00 should be increased by three or four dollars to make a fairer basis of comparison. No additional charge is made by private companies for any other authorized driver.

3. The Compulsory insurance cover for property damage occurring within the Province begins above the first \$100. That is to say, the owner of a vehicle involved in any accident must assume the first \$100.00 of any damage suffered. Insurance cover provided by private companies assumes the entire loss in respect of property damage.

The significance of the \$100.00 deductible property damage is emphasized when we realize that a very large percentage of property damage claims is for less than \$100.00. In other words, under the compulsory policy, only a minority of P. D. claims will come within the scope of the Act, and then only the amount of such claims in excess of the deduction will be paid.

\*Ratio based on 1948 figures taken from W.C.I.U.A. Manual covering 1948 Ford Sedan.

This gives a tremendous advantage to the Government over a private insurance company which is prohibited by law from issuing a policy on this same basis.

4. Another factor worthy of note is that the rebate of premiums offered by insurance companies for winter lay-up is substantial, but the refund provided to owners who turn in their plates is, on the same basis, considerably smaller. Further than this, under standard policies certain items can be cancelled outright, while others, such as fire and theft, can be retained.

5. The difference in premium rates is largely made up of acquisition costs. The Government "writes" the basic policy at no cost; while the private companies pay commission to its agent. Obviously the insurance agent fills a useful function in his community by the personal type of service rendered, and further, through his position in the community he is adding to its general prosperity.

This, it is submitted, is a major consideration in connection with any course of action which leads to the elimination of this type of business enterprise. Followed to its logical conclusion a compulsory plan would eventually drive private insurance out of business. With competition thus eliminated insurance rates would then be adjusted according to political expediency.

6. The disparity in premium rates shown below with respect to certain classes of motor vehicles turns in favour of private insurance company rates when other classes of risk are involved. It is reasonable to compare the over-all picture rather than as it applies to one or more particular classes of vehicle. As will be seen from the table the advantage in rates alone is maintained on insurance covering a small truck, but in regard to what may be called a less desirable type of risk; viz. interurban van, the rates offered by private companies are less than those imposed by the Government. It is worthy of note that all such vehicles must be insured by law and it is from this class of business that the Saskatchewan Insurance Office derives a large portion of its revenue.

Compulsory rates on buses range from \$100.00 to \$400.00, depending on the use and rated seating capacity of the bus. Public service vehicles are rated according to class of hauling done, but of particular interest to Alberta is Class "E" which engages in the hauling of fuel petroleum products, household goods, machinery parts, binder twine, flour and dressed poultry. The schedule of insurance rates for this class ranges up to \$195.00 in addition to registration fees required.

It has been said that you can't compare peas and corn; the difficulty being to arrive at a common denominator. That is why the statement that in Saskatchewan you get for \$6.00 insurance coverage which in Alberta would cost \$45.00, must be weighed in the light of the above noted considerations.

# TABLE SHOWING COMPARISON OF SASKATCHEWAN GOVERNMENT, BOARD AND INDEPENDENT RATES

	SASKATCHEWAN GOVT. PLAN (Figures by Sask. Gov't Ins'ce Office)		BOARD INSURANCE COMPANIES (1948 Rates)		INDEPENDENT COMPANIES (1948 Rates)	
1946 Chevrolet Passenger Car	*License Insurance	\$ 6.00	Public Liability \$15/30,000)	\$ 10.17	Public Liability \$15/30,000)	\$ 8.96
	Public Liability	\$5/10,000	Property Damage \$3,000 )		Property Damage \$3,000 )	
	Property Damage (\$100 deductible in Sask.)		Collision (\$25 deductible)	34.00	Collision (\$25 deductible)	31.00
	Collision (\$100 deductible)		Fire and Theft	4.00	Fire and Theft	4.50
	Package Policy		Radio	2.00	Radio	2.00
1946 G.M.C. ½-Ton Truck	Public Liability \$10/20,000		Miscellaneous	1.00	Miscellaneous	1.00
	Property Damage \$2,000		Total	\$ 51.17	Total	\$ 47.46
	Collision (\$25 deductible)		Reductions for 5 months winter storage	16.34	Reduction for 5 months winter storage	16.65
	Fire and Theft		Net	\$ 34.83	Net	\$ 30.81
	Radio and Miscellaneous Cover 18.80		Public Liability \$10/20,000)	\$ 28.45	Public Liability \$10/20,000)	\$ 27.25
1946 Von Interurban	*License Insurance	\$ 40.55	Property Damage \$2,000 )		Property Damage \$2,000 )	
	Additional Coverage	\$ 45.00	Collision (\$25 deductible)	26.00	Collision (\$25 deductible)	23.00
	Public Liability	\$5/10,000	Fire and Theft	5.50	Fire and Theft	4.50
	Property Damage \$1,000		Total	\$ 59.95	Total	\$ 54.75
	Collision (\$25 deductible)		Public Liability \$10/20,000)	\$ 41.20	Public Liability \$10/20,000)	\$ 39.24
1946 Chevrolet Taxi	Property Damage \$1,000		Property Damage \$2,000 )		Property Damage \$2,000 )	
	Collision (\$25 deductible)		Collision (\$25 deductible)	54.00	Collision (\$25 deductible)	51.50
	Fire and Theft		Fire and Theft	15.00	Fire and Theft	14.00
	Total	\$ 108.60	Total	\$ 110.20	Total	\$ 104.74
	*License Insurance	\$ 100.00	Public Liability \$10/20,000)	\$ 41.20	Public Liability \$10/20,000)	\$ 39.24
1946 Chevrolet Taxi	Additional Coverage	\$ 13.50	Property Damage \$2,000 )		Property Damage \$2,000 )	
	Public Liability	\$5/10,000	Collision (\$25 deductible)	54.00	Collision (\$25 deductible)	51.50
	Property Damage \$1,000		Fire and Theft	15.00	Fire and Theft	14.00
	Collision (none written)		Total	\$ 110.20	Total	\$ 104.74
	Passenger Hazard (\$5/10,000)	6.00	Public Liability \$10/20,000)	\$ 41.20	Public Liability \$10/20,000)	\$ 39.24
1946 Chevrolet Taxi	Passenger Property Damage	6.25	Property Damage \$2,000 )		Property Damage \$2,000 )	
	Total	\$ 159.50	Collision (\$25 deductible)	54.00	Collision (\$25 deductible)	51.50
	*Plus \$1.00 for each driver.		Fire and Theft	15.00	Fire and Theft	14.00
			Total	\$ 110.20	Total	\$ 104.74
			Public Liability \$10/20,000)	\$ 41.20	Public Liability \$10/20,000)	\$ 39.24

EXPERIENCE RATING

NO RATES PUBLISHED

## **THE FUTURE OF AUTOMOBILE INSURANCE IN SASKATCHEWAN**

Private companies say they are not particularly interested in writing automobile business, but regard it as a question of prestige that they continue to do so. They point out that this class of business is carried on an extremely close margin, but that it is offered to the public as a part of their insurance service. (According to Government reports the loss ratio of individual companies often exceeds 100%). In spite of the competition provided by the Saskatchewan Government, automobile underwriting in the Province by private companies, according to latest published figures, continues to show an increase.

In regard to rates, it is the claim of private insurance companies that these are determined by loss experience, and any variation in this experience is reflected in a reduction or an increase in rates. Private companies state that Saskatchewan's compulsory rates, and the \$18.80 rate on the Package Policy, are not based on actuarial experience. Further it is not believed by insurance experts that the Government can maintain these rates for an indefinite period. This being true, the Government will be forced to one of two alternatives: either increasing the rates, or subsidizing the Insurance Office. On the other hand, Government Officials point to the surplus of more than one million dollars which they accumulated out of their operations over a two-year period, and are confident that they will continue to operate successfully. In this connection it must be remembered that the Package Policy has been in the hands of the public only since April 1, 1948, and no statistics of experience under this part of their operations are available to date.

It is indeed the considered opinion of insurance men that five years or more must elapse before success or failure of such a venture can be forecast.

One incontrovertible fact remains in regard to compulsory insurance, and that is with 100 per cent of the public forced to participate in the plan the risk is spread over so many that it is thereby reduced on all.

Can the Saskatchewan plan continue to operate successfully on its existing rate structure? Saskatchewan Government officials say yes; private companies, with their background of experience, say no. The Committee agrees with the latter.

### **APPROACH TO THE PROBLEM**

It is the considered opinion of the Committee that something of far greater importance than the success or failure of a plan of insurance is unfolding in the economic sphere, and they urge its thorough examination by those who are directly concerned with the cost of automobile insurance as well as those who are not.

Two diametrically opposed ideologies are involved. Stripped to its bare bones the problem is one of free enterprise versus state monopoly.

On the one hand there lies the evil menace of the totalitarian concept. On the other is found the right of an individual to freedom of opportunity, to exercise his best ability in work of his choice.

Selfish interests, abusing the rights of free enterprise, may endeavor to establish monopolies of their own, thereby making the individual the sorry victim of their purposes. No individual is rugged enough to stand up against the power of a monopoly, and especially when it is backed by the power of the State.

It is at this point that the function of government is recognized. For through it, the power of individuals in association becomes supreme, able to protect the rights of each and the welfare of all.

In the field of insurance as in any other, it is the duty of the government to protect the people against exploitation, but to substitute a monopoly backed by the power of the State is a vicious alternative.

There is substantial evidence to support the view that the Government of Saskatchewan is attempting to set up a monopoly in the insurance business. When compulsion is applied in this field, it is extremely difficult to tell where the line will be drawn. In the Province of Alberta at least, the Committee holds that this is a consideration of overwhelming importance.

### **THE PATERNALISTIC VIEWPOINT**

There is a fine distinction between what constitutes a social service essential to the public interest and what is called paternalism in government. Viewpoints have had to be changed in the light of modern living, but the prejudice against measures which undermine personal initiative remains. There was a time when a man depended upon his own efforts to get along, and he developed a strength of body and character as a result. Today there are those who are alarmed at the dependence of increasing numbers of people upon government aid. They believe this is a bad principle.

The relation of these facts to the question of government automobile insurance becomes apparent when it is realized that the objective of the Saskatchewan plan is to provide compensation for victims of automobile accidents as a social measure . . . and without regard to fault.

It seems to the Committee that exception to the principle of compensation thus applied will be taken largely because it condones negligence. Under such circumstances, an individual who deliberately injures himself may be compensated; and in an extreme case, compensation could be paid even where the victim deliberately committed suicide. Such a measure invokes all the evils of paternalism, under which the individual tends to lose both his initiative and his independence. This weakness, coupled with inherent disadvantages already dealt with in this report, has convinced the Committee that the application of a compensation plan beyond its present field should be unequivocally rejected.

# III—MANITOBA'S SAFETY RESPONSIBILITY LAW

## GENERAL

We have pointed out that Financial Responsibility Laws provide that any owner or driver against whom a judgment has been rendered for damages resulting from bodily injury, death, or property damage, shall have his driver's license suspended until the judgment is paid and the driver has filed proof of his financial responsibility for future accidents.

From this was developed the Safety Responsibility Law, which differs from it primarily in that the more recent development calls for the imposition of penalties as soon as the accident occurs.

It is this type of legislation as introduced into Canada by the Province of Manitoba, and later adopted by the Province of British Columbia, with which we are now concerned.

Manitoba's Safety Responsibility Law has been called "the model law". It contains the "teeth" which some have argued are necessary to make Alberta's law completely effective; and there is no denying that penalties under the Manitoba Act are severe. They are deliberately so. Officials in the Province of Manitoba believe that only in this way can irresponsible drivers be controlled, and if necessary ruled off the road.

In a descriptive leaflet published by the Government of Manitoba prior to the law going into effect (a procedure said to be necessary to its successful operation), all motorists were instructed to get their pink cards. Issued by the Government and distributed with the policies by the insurance companies, these cards certify that motorists have public liability and property damage insurance in full force.

Alternative proof of financial responsibility is shown by the possession of a white card which indicates the posting of a surety bond or a deposit with the Provincial Treasurer amounting to \$11,000 for each motor vehicle registered in the name of the owner.

## THE "TEETH" OF THE MANITOBA LAW

If the motorist has neither the pink nor the white card, "here is what will happen", the leaflet explains, "if you become involved, directly or indirectly, in an accident with your motor vehicle and WHETHER IT IS YOUR FAULT OR NOT.

1. Your motor vehicle will be impounded forthwith indefinitely and at your expense.
2. Your driver's license will be suspended indefinitely.
3. Your motor vehicle registration, that is automobile license or truck license, etc., will be suspended indefinitely.
4. **Every** motor vehicle registered in your name will have its registration suspended indefinitely.
5. If the driver of the motor vehicle is not the owner, then the penalties apply both to the driver and to the owner.

"These penalties apply to all accidents where the property damage from an accident is apparently over \$25.00 or where there is bodily injury or death.

"To illustrate—You are driving down Portage Avenue—you stop at a red light. A car crashes into your car from behind and



there is more than \$25.00 damage or someone is hurt. The accident is not your fault—nevertheless the policeman will impound your motor vehicle and the Registrar will suspend your driver's license and registration unless at the time of the accident you can produce to the policeman proof of Financial Responsibility showing you have in full force and effect Public Liability and Property Damage Insurance or one of the alternative forms of financial responsibility.

"You may say these penalties are very drastic. They are. But bear in mind that if you have provided Financial Responsibility the penalties pass you completely by."

**UNSATISFIED JUDGMENT FUND**

So much for the penalties and the illustration of how the Manitoba Act is applied. Further provisions of the law set up an Unsatisfied Judgment Fund to a maximum amount of \$175,000.00, collected, as in Alberta, by a levy on all registered owners. Originally set at \$1.00 per motor vehicle, the Manitoba levy has since been cancelled until such time as the fund drops to \$100,000.

The purpose of the Unsatisfied Judgment Fund is, of course, self-explanatory. In the event of an accident, the victim must first prove his or her claim and its amount by obtaining a judgment in the usual way through the Courts. The usual efforts are then made to collect the judgment from the guilty party. If these fail then an order is obtained from the judge enabling the amount involved to be paid from the Fund. This applies only where the judgment exceeds \$100, and is limited to \$5,000 per person and \$10,000 per accident, both exclusive of costs.

The penalties imposed under the Manitoba Safety Responsibility Law are admittedly "very drastic". It was also stated that their severity gives the psychological effect to make most motorists in Manitoba certain to have the necessary proof of their financial responsibility. Suspension or cancellation of the driver's license is not considered severe enough, because if the owner were not driving he would escape the penalties. Furthermore, it was pointed out that neither an owner, whose license is cancelled, nor the rest of his family would be deprived of the use of the car, because another driver could easily be engaged.

**ADVANTAGES CLAIMED**

One of the advantages claimed for the Manitoba impounding feature is that it reduces staff administration to a minimum. The onus of providing insurance or one of the alternative proofs of financial responsibility is placed on the motorist, and in case of an accident owners of all cars, directly or indirectly involved, must produce this proof or suffer the consequences. It is said to "work well because it eliminates running around."

There is no doubt that it has served to induce Manitoba motorists (and motorists entering that Province) to buy insurance. Before the law went into effect in December, 1945, only 23 per cent of the vehicles involved in accidents were insured; while three years later over 90 per cent of the vehicles so involved were insured.

In regard to the law's effectiveness as a safety measure the following figures are of interest:

	No. of Killed	No. of Injured	Vehicles Licensed	Drivers Licensed
1946	79	1,859	109,438	155,585
1947	70	1,500	120,615	165,767

There is no proof that the operations of the Manitoba law are wholly responsible for the reduction noted above; particularly since the records for the first nine months of 1948 indicate an increasing accident experience. To the end of September, 1948, 62 were killed and 1,266 were injured; compared with 45 killed and 1,121 injured during the same period of 1947. Government officials there do not imply that their law is a "cure-all" for the traffic accident problem. They do feel, however, that it is "a potent factor particularly if coupled with an all-round safety campaign which would include education, pedestrian control, law enforcement, etc."

Accepting the fact that provision of insurance is probably the most effective means of indemnifying victims of accidents, the penalties under Manitoba's legislation will induce the majority of motorists to purchase at least minimum cover.

Apart from that, the law will gradually force irresponsible and careless drivers off the roads, thus bringing the basic objective of all motor vehicle legislation—accident prevention—considerably nearer. It will help to make motorists safety-conscious. And further, it will protect motorists and pedestrians alike from unsatisfied judgments which they may obtain against financially irresponsible drivers.

**Table of Statistics Covering Motor Vehicles in  
Manitoba and Alberta for the Periods Noted**

	Manitoba	Alberta
Motor Vehicles Registered	1946—109,438 1947—120,615	(April 1, 1947 to Sept. 1, 1948)
Drivers Licensed	1946—155,585 1947—165,767	191,492
Accidents over \$25 Damage	1946— 5,003 1947— 6,001	7,395
No. Injured	1946— 1,859 1947— 1,500	2,567
No. Killed	1946— 79 1947— 70	92
Vehicles Impounded	1946— 1,063 1947— 1,056 1948— 1,225	2
Drivers' Licenses Suspended	1948— 1,346	995
Drivers' Licenses Reinstated	1948— 1,107	365
Security Deposits	1946— 75 1947— 93 1948— 105	81
Total Security	1946—\$13,735.00 1947— 16,450.00 1948— 23,010.00	\$11,746.30
Judgments Paid	1946— nil 1947— 1	(To Nov. 1, 1948) 11
Total Judgments	1946— nil 1947—\$ 1,298.16 1948— nil	\$29,754.26
Medical and Hospital Claims	nil	17
Total of Medical and Hospital Claims	nil	\$ 2,698.76

## IV—ALBERTA'S SAFETY RESPONSIBILITY LAW

### COMPARISON

It will be obvious that Alberta's Motor Vehicle Accident Indemnity Act is similar in many respects to Manitoba's Safety Responsibility Law. Both overcome the two basic weaknesses of the New Hampshire form of the law by means of the Unsatisfied Judgment Fund. From it provision is made for the victim of the first accident, and for pedestrians, including victims of the hit-and-run driver, who are taken care of from the same fund and in much the same way.

The awards from the Unsatisfied Judgment Fund are subject to the same limits in both Provinces, and are made according to the procedure as outlined above.

No provision is made under the Manitoba law to pay either hospital or medical costs. Under The Alberta Motor Vehicle Accident Indemnity Act, any person injured through the operation of a motor vehicle driven by another person may apply for reimbursement out of the Fund for medical and hospital expenses incurred, in connection with which liability or negligence may or may not be considered. That is to say, under certain circumstances medical and hospital bills may be paid even for the individual who may have been negligent.

It does not seem to be generally known that the Alberta law makes provision for the impounding of motor vehicles. Where this penalty is automatically applied in Manitoba **unless** the motorist has definite proof of financial responsibility on his person, it is applied in Alberta only under exceptional circumstances and at the discretion of the Minister.

Penalties in respect to driver's licenses are applied in each Province with the differences in procedure before mentioned. In Manitoba, the licenses are cancelled immediately and indefinitely at the scene of an accident, but only if the parties involved, directly or indirectly, cannot produce proof of financial responsibility. In Alberta the Minister is required to suspend the licenses of all drivers involved in an accident which causes injury or death, or damage in excess of \$25.00, but if the driver was clearly not guilty of negligence and not responsible for the accident, the Minister in his discretion may allow him to retain his license. In Alberta, as in Manitoba, this penalty is not applicable under the Act to the person who can produce proof of financial responsibility.

### CRITICISMS MADE OF THE ALBERTA ACT

It has been said that penalties for infractions of the law dealing with the operation of motor vehicles are not severe enough. In Alberta such legislation includes The Vehicle and Highway Traffic Act, The Public Service Vehicles Act, The Alberta Motor Vehicle Accident Indemnity Act, as well as the Criminal Code.

Penalties under the first two are imposed by the Department and the Courts, under the third by the Department alone, and under the Code by the Courts alone.

It is probable that any criticism of penalties as they exist is directed chiefly against The Motor Vehicle Accident Indemnity Act, the answers to which will become apparent in due course. Speaking generally, it seems to the Committee that the field of accident prevention is fairly well covered as far as penalties are concerned, and room for criticism, if any, lies in the enforcement of the various laws rather than in the penalties provided.

It is true that in this Province drivers involved in an accident are allowed to remain on the road for a time before their licenses are suspended or cancelled. But the same thing happens in Manitoba when the driver furnishes proof of financial responsibility. It is true also that in Alberta, when suspension or cancellation is made, the offender is not deprived of the use of his car, but may engage some one else to drive in his place. The interests of safety are considered as being adequately served in this manner without depriving both perfectly innocent and grossly negligent persons of the use of their automobiles even where these may be essential to their living.

In other words, the Committee cannot recommend the imposition of penalties which might result in an innocent victim of an accident losing the use of his car and being compelled to pay storage on it simply because he had neglected to purchase automobile insurance. In Manitoba, careless drivers who have proof of financial responsibility may not be affected by the penalties provided. With this proof, as in Alberta, they may remain on the roads . . . the effective penalty being imposed later by the Courts (in case of criminal negligence, manslaughter, etc.) or by insurance companies who load insurance policies of such drivers with increased rates.

### **PURPOSES OF PENALTIES**

The Committee firmly believes that all measures designed to weed out careless or negligent drivers even over a long period of time should be encouraged and to the extent that Safety Responsibility laws accomplish this they are commended most heartily.

Nevertheless, when all is said and done, any so-called "teeth" which may be given to this type of legislation are aimed indirectly at accident prevention, whereas their direct and major purpose is to induce all motorists to furnish proof of financial responsibility.

It is agreed, of course, that insurance is a good thing, but it may be pointed out that two types of individuals purchase it of their own volition: those who may be described as "thoroughly responsible" and do so as sound business practice; and those who are inclined to be reckless, and do so as protection against penalties.

The Committee feels, therefore, that the possession of insurance, or alternatives meeting the requirements of the law, cannot be proven to have a strong bearing on the question of accident prevention.

In itself, insurance protects its possessor against possible loss by hiring a company to take the risk. Further, insurance and other proof of financial responsibility relieve the government of indemnifying accident victims from the Unsatisfied Judgment Fund, who would otherwise not be protected. It should be noted, however, that

the average victim is more concerned with the adequacy of the indemnity rather than its source.

One other conclusion is inescapable; and that is, assuming the teeth were one hundred percent effective and resulted in all motorists purchasing insurance, the resulting situation is open to the same criticism which has been levelled against compulsory insurance as a factor in accident prevention; i.e., it tends to breed carelessness.

### **COST OF AUTOMOBILE INSURANCE**

No uninsured motor vehicle should be on the road. The Committee believes that insurance should be considered as much a part of the expense of operating an automobile as the cost of gasoline, oil and repairs. They go together; one is as essential as the other. At the same time, no one can deny that the present cost of automobile insurance is high, and the Committee agrees that something should be done to bring the rates down.

The Committee began its inquiry holding the view that such an objective was possible. After intensive investigation the same view is held, but with a definite shift as to the method by which the desired reduction can be brought about.

Premium rates can be reduced . . . and by direct action on the part of the motorists themselves.

It has been suggested that a plan of compulsory insurance would result in lower rates. The question has been covered in an earlier section of this report, but it might be pointed out again that in Massachusetts where public liability insurance is compulsory, the rates have actually increased, while in Saskatchewan compulsory insurance is still in the experimental stage. Savings being made by Saskatchewan motorists for the present result almost wholly from the elimination of commissions paid to local agents. Ignoring, if you like, the effect of this action on men who, it is generally agreed, perform a legitimate service to the public, it is obvious that such a course leads inevitably to a state monopoly, not only in the whole field of insurance, but just as logically in other fields as well.

The Committee is well aware that there are many things the general public is compelled to do, but where the present measure of compulsion is justifiable as in the best interests of all, the Committee hesitates to suggest that the same principle be extended at the present time in the field of automobile insurance. As has been said before, once a policy of compulsion is adopted by any government, it is extremely difficult to know where the line will be drawn.

The Committee has heard suggestions that the Government should sell insurance in competition with companies already doing business in the Province. This might be a desirable step if it could be shown that it would mean a general reduction in rates, but no evidence to support this conclusion has been produced to the moment. Automobile business is written on a very close margin. An examination of the abstract of company returns published by the Alberta Superintendent of Insurance indicates that in the last few years few companies doing business in this Province have made even reasonable profits in automobile business. On the contrary, the majority of companies actually lost money on this class of business,

many of them paying out in claims alone as much as several times what they took in as earned premiums. When it is remembered that agents' commissions range to 20 per cent, and the costs of adjustments, taxes, overhead expenses . . . as well as the total of claims paid . . . must all come out of the premium income, it is obvious enough that these companies are subsidizing their automobile business out of their more profitable lines.

No government could expect to operate more economically or with greater efficiency than the established companies. The government could, nevertheless, sell automobile insurance over the counter at lower rates due to a saving in acquisition costs. Under such circumstances, however, the Committee fears that undesirable risks who had been weeded out by private insurers, and whose rates would otherwise be loaded, would flock to the Government Office for coverage. This would result in an exorbitant loss ratio and place the government in a position where it would have to either subsidize the writing of automobile insurance or increase the rates. It therefore follows that a solution to the high cost of insurance will have to be found in some other quarter.

Considerable interest has been shown also in the adoption of some method by which rates could be established by Government authority. This proposal is based on the assumption that excessive profits are now being made in writing automobile insurance, a point which we have noted in the preceding paragraphs is not borne out by the records.

Apart from that, such a proposal could be carried out by means of a "rating bureau" or, with legislative amendments, by authority of some existing government board. The Province of Ontario made provisions for the regulation of insurance rates, but has never put them into effect because of difficulties which are involved. In the State of Massachusetts the Commissioner of Insurance is empowered to "fix and establish fair and reasonable classifications of risks and adequate, just, reasonable and non-discriminatory premium charges." In New York State, also, the Superintendent of Insurance has been empowered to disallow rates if they were excessive, inadequate or unfairly discriminatory.

As far as the Committee could determine, the only place in North America where a rating bureau operates is in the State of Texas.

In our own Province there are three broad classes of insurance companies in the automobile field at the present time. These are Board companies, Non-Board companies and Mutuals, and amongst these classes healthy competition is maintained in regard to rates, subject always to the over-riding effect of accident frequency and loss experience. It is generally agreed that government regulation would tend to eliminate this competition without providing any advantage in its place.

It may be that the last word has not been said on this matter, but the Committee believes that, for the present at least, any attempt at rate-fixing would work to the disadvantage of insurance companies and the public alike, and that interference in the operation of what seems to be an essentially satisfactory system should be kept to a minimum.

A further increase in premium rates has gone into effect for 1949. Insurance companies point out that motor accidents in Canada increased by 23.3 per cent during the first nine months of 1948, and justify the increase by their rising loss experience. Further than this, they point out that the cost of repairing automobiles damaged in accidents has increased tremendously, and so higher rates are essential on this basis alone, even if the number of accidents had not risen.

The increase in premiums not only substantiates what has been said about the close relation between the number of accidents and the cost of insurance, it goes further and points unerringly to the one effective method by which the cost of insurance can be reduced. Few people know any practical way of reducing the general cost of living, but in so far as automobile insurance is concerned, the remedy is right within the grasp of the consumers themselves.

A few irresponsible drivers can adversely affect the whole picture but when the number of accidents is reduced, the cost of insurance will automatically be reduced. This is a truism. The solution, therefore, lies in more careful driving. Motorists should drive as carefully as they did when tires and gasoline were rationed, and repairs difficult to obtain . . . for if they do, there is no doubt that insurance costs will come down.

The Committee wishes to emphasize that every motorist is in possession of a lethal weapon. They believe the time is long overdue for a motorist to consider himself as a potential killer, and if he fails to operate his vehicle with due caution, he may well become a killer in fact, adding his share to the loss and suffering attributable to the automobile.

Automobile insurance, like any other kind of insurance, may be considered as a gigantic co-operative enterprise. The money you pay for your protection helps to swell the central pool of funds, most of which is paid out again to those who have sustained losses as a result of the operation of a motor vehicle. More care means fewer accidents, and this in turn means lower costs of insurance.

The Committee sincerely believes that greater care on the part of all motorists will show the way to lower insurance rates, and what is infinitely more important, to increased safety for the people of this Province.

## CONCLUSIONS

After making a point by point comparison of Alberta's Motor Vehicle Accident Indemnity Act with Manitoba's Safety Responsibility Law, the Committee is convinced that the former contains all the benefits provided under the latter . . . PLUS provision for hospital and medical benefits. It is convinced, further, that apart from the element of fear instilled by the Manitoba law, the Alberta Act is equally effective in encouraging safer driving habits among the people . . . and without penalizing innocent motorists.

The Committee is unanimously agreed that accident prevention is more dependent upon stricter enforcement of traffic regulations and, possibly, more severe penalties for violations, than upon insurance coverage purchased under compulsion, "disguised" or otherwise.

It is obvious that in view of the alarming increase in the number of motor vehicle accidents and the appalling toll of human life and suffering which results, something must be done. Apart from such physical considerations as improvements in safety features of both highways and motor vehicles, it is felt that the best hope for progress is to redouble any previous efforts relating to the "imponderable" human element. Authorities in Manitoba and elsewhere are concentrating on an all-out program of accident prevention through intensive campaigns for the education of the motorist and general public, through stiffer tests for drivers, through check-ups on the mechanical conditions of motor vehicles, and above all, through stricter enforcement of the law. They are convinced that much can be done towards the solution of the motor vehicle accident problem by such measures.

The Committee shares whole-heartedly in this conviction.



## V—RECOMMENDATIONS

The Committee therefore recommends:

1. That, recognizing the right of individual freedom of choice, together with the principle of free enterprise, the Government should not impose compulsory automobile insurance;

2. That the Unsatisfied Judgment Fund under The Motor Vehicle Accident Indemnity Act be maintained, and that whenever the fund exceeds \$250,000.00 as at March 31st in any one year, the Lieutenant Governor in Council give consideration to a reduction in fees, or an increase in benefits.

3. That, in the public interest, indemnity under The Motor Vehicle Accident Indemnity Act be extended to include property damage in excess of \$100.00 and not exceeding \$1,000.00 in respect of any one accident, to be applied in the same manner as indemnity is at present payable on account of injury or death;

4. That convictions against a licensed driver be recorded on the reverse side of the license and that any two convictions in one license year arising from accidents involving personal injury or damage to property exceeding \$100.00 result in automatic cancellation of the driver's license for the remainder of the license year;

5. That any one found guilty of operating a vehicle while under the influence of intoxicating liquor be punished, in addition to penalties already provided under the Criminal Code of Canada, by automatic cancellation of his driver's license for a period of not less than one year;

6. That a system of motor vehicle driving tests be instituted forthwith, to apply to the following:

- (a) all applicants obtaining an Alberta license for the first time;
- (b) all persons convicted of traffic violations during the previous license year;
- (c) all drivers, ultimately, at the discretion of the Lieutenant Governor in Council.

7. That the Government encourage the work of the Alberta Safety Council and give such financial assistance from The Unsatisfied Judgment Fund as it may deem advisable;

8. That automobile insurers licensed within the Province be asked to contribute financial aid towards safety campaign measures to the same extent to which fire insurers contribute to fire prevention measures;

9. That highway patrols be increased so as to enable more rigid enforcement of those regulations respecting:

- (a) speed limits;
- (b) dimming headlights;
- (c) passing on hills and curves;
- (d) setting of warning signals or flares when a vehicle is stopped;
- (e) other regulations which may be approved by responsible officials;

10. That the present system of highway marking be improved and extended to include centre lines, directional signs, danger warnings, speed precautions and other information designed to promote safer driving.

11. That minimum safety standards for the mechanical condition of all motor vehicles be reviewed and amended where necessary and more rigidly enforced;

12. That proper action be taken leading to greater uniformity by all provinces in regard to accident prevention through education, compilation or statistics, etc.;

13. That written information concerning all driving regulations and safety rules be placed in the hands of all licensed drivers at the earliest possible date;

14. That, in the interests of economy and for other seeming advantages, the Government give consideration to the provision of permanent license plates.

15. That the Government endeavor to make possible a reduction in the prevailing rates of automobile insurance by instituting the above recommended safety measures. If, however, as a result, automobile insurance rates are not reduced by the insurance companies commensurate with the reduction in risk involved, the Government should then consider providing automobile insurance as a public service at the lowest rates consistent with sound actuarial practice.

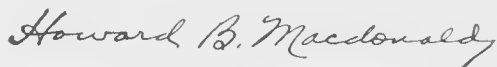
The foregoing is respectfully submitted for the careful consideration of all Members of the Alberta Legislature.



Chairman



Member



Member.

## ACKNOWLEDGMENTS

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The Committee acknowledges with thanks the courteous and invaluable assistance rendered to it by

Officials of the Saskatchewan Government Insurance Office,

The Superintendent of Insurance for Saskatchewan,

The Superintendent of Insurance for Manitoba,

The Commissioner of Taxation and Registrar of Motor Vehicles for Manitoba,

The All Canada Insurance Federation,

The Western Canada Insurance Underwriters' Association,

Mr. Ralph R. Moore, Deputy Minister of Economic Affairs and former Superintendent of Insurance for Alberta,

Mr. R. A. Cantelon, of the Department of Economic Affairs, who served as Secretary of the Committee of Inquiry, and

All those who presented briefs and made submissions or otherwise aided the Committee in its work.



## **APPENDIX**

### **ALBERTA ASSOCIATION OF MUNICIPAL DISTRICTS**

#### **To the Committee Appointed to Investigate the Question of Automobile Public Liability Insurance**

The Alberta Association of Municipal Districts is constituted under special Act of the Alberta Legislature and has held an annual convention since 1909. Its membership consists of all organized municipal districts in the Province which at the present number sixty. It is proud of the fact that it has for a number of years enjoyed a one hundred per cent membership. At the recent convention held in Calgary it had official representation from every one of these districts with an average attendance of four delegates from every municipal council. We mention this fact to show that it truly represents and can justly claim to be the voice of rural self-government in this Province.

#### **Resolution Passed at the 1948 Convention**

##### **PUBLIC LIABILITY INSURANCE**

Whereas The Automobile Accident Indemnity is quite unsatisfactory;

Whereas there exists a real need for Public Liability Insurance at cost for all car and truck owners.

Therefore be it resolved that we urge the Provincial Government to establish a system of compulsory Public Liability Insurance covering all cars and trucks at cost through the Provincial Insurance Office.

Further be it resolved that our executive make representations along this line to the Legislative Committee now studying this whole question.

In support of the foregoing resolution, the executive of the Association submit the following:

The Alberta Motor and Vehicle Accident and Indemnity Act passed at the 1947 session of the Alberta Legislature affords protection to any person from monetary loss who has been injured in a car accident for which the car owner was responsible, provided that the insured person has first obtained a judgment against the owner of the car, and that such owner has not the financial resources to satisfy the terms of the judgment.

It is also submitted that car and truck owners are by the same Act compulsorily required to subscribe to the fund from which these payments are made. On the other hand we express the opinion that it affords little or no protection to car and truck owners of the Province but virtually imposes on them the necessity of taking out an Automobile Liability policy if they wish to avoid the cost of expensive litigation and the surrender of their licenses if they become involved in a car accident.

The latter is particularly important to those who derive their livelihood through the use of a car or truck. This opinion

can be supported by the numerous advertisements inserted by insurance companies, that immediately appeared in Alberta newspapers after the Act was assented to. In these advertisements the companies emphatically pointed out the urgent necessity and wisdom of car owners taking out such a policy if they wish protection against the penalties imposed by the Act. One Alberta company conspicuously displayed a sign in its office window with words to this effect, "The Alberta Motor Vehicle Accident and Indemnity Act is DYNAMITE".

In Alberta Automobile Insurance policies can only be obtained from private companies, and who alone determine the terms and conditions under which the policies are issued, as well as the amount of the premium that shall be paid, the policy holder having no voice in calling the "Tune" even though he has to pay the "Piper".

This Association is also of the opinion that there is undue duplication and multiplicity of effort in the present system of issuing Automobile Insurance policies with its consequent added cost to the policy holder. We are informed there are some one hundred and sixty companies and possibly several thousand agents writing this class of insurance in the Province, such a situation is probably responsible for, what car owners feel, one of the reasons for the considered excessive rates now in effect. We respectfully suggest that this can be overcome by the Provincial Government undertaking through its insurance office the issuance of a suitable form of compulsory Automobile and Truck Insurance policy at cost.

Respectfully submitted,

Executive, Alberta Association of Municipal Districts.

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### **ALBERTA MOTOR ASSOCIATION**

The Honourable A. J. Hooke, Esq.,

The Alberta Motor Association has been given to understand that the Province of Alberta is considering some changes in the Motor Vehicle Legislation in connection with insurance, and has in the past, and lately since the subject has been mooted, made some investigation into the matter, in fact, as much as the time at its disposal has enabled it to do, and as the time is too short to enable it to obtain the latest available data, it desires to submit for your consideration the matter following:

It submits that in approaching the matter the first thing to consider is the attitude with which it should be approached, that is to say, whether the matter should be dealt with, with a view of adopting such measures as will tend to cut down accidents or with a view to ensure compensation in case of accident.

It is believed that it is more important that measures should be such as would tend to obviate accidents rather than to ensure compensation, and the following observations are made with that end in view.

We have today, in Alberta, The Financial Responsibility Act, an Act which, in almost the same form as that of our own, is in force in a great many of the States and a great number of Canadian Provinces, and to a certain extent it has tended to make drivers more careful and has to a considerable extent ensured compensation.

That Act in almost every instance prevents a person who has been involved in an accident from having a license for a motor vehicle or a license to drive until the financial responsibility for future accidents has been provided.

It also prevents a person involved in an accident where the damage to person or property exceeds \$100.00, obtaining a license or being allowed to drive until the judgment in respect of the damage has been paid.

A scheme of this nature as recommended by the American Automobile Association (after extensive investigation throughout the world carried on by experts, which their resources enable them to command), has recommended from the first and still continues to recommend legislation in the form of safety responsibility, which has been adopted, counting Hawaii and the District of Columbia, by thirty-six States and eight Provinces in Canada up to the first of January, 1946.

A Plan of Compulsory Insurance has been tried out by the State of Massachusetts, and has been in force there for about seventeen or eighteen years. That is actually the only true compulsory legislation on this continent.

For this state of affairs there must be some reason as in addition to the committees of experts of the American Automobile Association there have been numerous commissions and committees considering the same question in the past seventeen years, both in the United States and several in Canada.

With regard to the Massachusetts plan, which was before the Royal Commission, headed by the Honourable Mr. Justice Hodgins, in Ontario, whose report was printed in 1930 (no doubt you have a copy), the commission came to the conclusion that it was not suitable for the Province of Ontario, and recommended against it and in favour of the Responsibility Law.

On page 13 of the report, we find the following:

"The best opinion on Compulsory Insurance Legislation as for example that of the State of Massachusetts, is that the psychological effect of compelling everyone to take out insurance is the reverse of making them careful, for everybody knows that everybody else is insured, and that in case of an accident the insurance company, and not the person causing the injury, will have to pay for it. The more this view is considered, the more reasonable it becomes. Drivers of heavy cars, trucks, buses, etc., are very apt to fall into this habit of mind, and so are private car owners—namely, that being insured against personal responsibility, their pocket will not be touched in consequence of any acts of theirs, and, as criminal negligence can seldom be proved, they feel that they are safe from the reach of the criminal law. I found no one, either in Massachusetts or else-

where, who would venture to assert that their compulsory insurance law had any effect on reducing the number of accidents."

On the following pages of that report there are statistics which indicate the truth of that statement.

The report of the California Committee in 1929, also came to the same conclusion, and their recommendations resulted in the adoption of the Safety Responsibility Law by the State of California.

The same subject was considered by the committee appointed by the Attorney General of Manitoba and their report was published on the 21st of January, 1944.

That committee came to the conclusion that compulsory insurance is definitely not a safety measure and referred to the increase of the accident rate subsequent to its passing.

On page 20, this statement is made:

"2. The Massachusetts example has not been followed. In the seventeen years that compulsory insurance has been in effect in Massachusetts no other State of the United States, and no province of Canada, has been sufficiently impressed with the experience of Massachusetts to enact similar or comparable legislation."

They also refer to the increased costs of insurance by reason of the public becoming claim conscious, and quoted Mr. Robinette as follows:

"1. Claim frequency is much greater in Massachusetts than elsewhere. This obviously increases the claim investigation, etc., expense in that State over others.

"2. Rates have increased in Massachusetts over the general average, although not as much as in a few other states.

"3. Larger awards are granted by juries in some cases because of knowledge of the existence of insurance.

"4. Very minor injury claims are exaggerated, there are some fraudulent claims and property damage claims are converted into personal claims so that recovery may be had . . .

"5. There is much more litigation over accidents . . . in Massachusetts than elsewhere."

That report deals also with a number of other demerits of the Compulsory Insurance Plan and finally recommends against it.

So far none of the committee or commission reports which we have been able to examine are in favour of compulsory insurance and all are opposed to it more or less on the same grounds.

Manitoba finally put in Legislation establishing a fund provided by vehicle owners and drivers to satisfy unsatisfied judgments, but it is not Compulsory Insurance Law, and Manitoba already had the Safety Responsibility Law, which was changed only where necessary to fit in with the new legislation.



Of all the acts which it had been possible to investigate, outside of the Financial Responsibility Laws, the Manitoba Act coupled with the Financial Responsibility Act appears to be the least objectionable. With reference to that something will be said later.

Saskatchewan has not what could be properly called a "Safety Responsibility Law", but a law under which every person is insured against personal injuries within certain limits, at the expense of the motoring public, careful and reckless alike. It is open to the same objections, however, as the Compulsory Insurance Legislation and provides no compensation for injuries other than personal.

1. It is reported that accidents have increased under its operation. There is a possibility that this may arise through a larger number of accidents being reported than might otherwise have been reported, but it is hard to believe that the increase reported could be traced solely if at all to this source.

If the further reporting is the reason for the increase, or even partly so, then the public have become claim conscious giving rise to increased claims paid and adjustment expenses exaggerated.

2. There is more room for fraudulent claims.

3. There is not the same incentive to take care on the part of the motoring public owing to the removal of restrictions due to underwriting selection.

4. Personal injuries are apt to be exaggerated.

5. There is a grave possibility of more expensive litigation over accidents.

6. The coverage given by the Saskatchewan Act is not to a very great extent different from that given by what is known as the Personal Automobile Accident Policy where the insured is insured against loss of life, members of the body, and disability.

With the exception of some hospital benefits and a few minor items in coverage, the policy given by the Alberta Motor Association to its members is much the same, the principal amount payable being higher in some respects in Saskatchewan, the Alberta Motor Association policy running from \$1,500.00 up to \$2,250.00 by ten per cent. annual increases, as against the \$3,000.00 limit to a primary dependent and further amounts to secondary dependents.

Personal Accident Insurance for individuals is similar to Life Insurance, which if an individual desires ought to be provided by himself at his own expense and not expect it to be provided by the State. Provision of State Insurance for any individual savours of paternalism and not individualism. It goes even beyond a socialistic state as in such a state insurance is not required.

The costs of the principal sum payable in respect of loss of life and certain members is not very great and the premiums charged by the Saskatchewan Government as set out in Order-in-

Council of March 7th, 1946, seem to be out of line with the cost that such protection should require.

Taking into consideration that while it is true, its citizens are insured and the class is larger than is the case of the Association Policy, every vehicle driver will be required to contribute, and the cost of such a scheme is still much greater than vehicle drivers ought to bear, particularly when they have to insure in addition, if they desire or if by reason of an accident they must have provision for collision, property damage and personal injuries as well, in case one felt that the Government coverage was not sufficient to protect him, and pay the usual premiums in respect of such protection.

It is felt that one ought to have a reasonable chance of recovering compensation for his damage when damage is suffered without the fault of the injured party and while possibly compensation would not be recovered one hundred per cent., in one hundred per cent. of the cases it would appear that if the limit of minimum damage necessary for enforcement of payment under our present Act were removed and the party responsible for damage was prohibited from driving so long as there was any unpaid judgment in respect of an accident caused through his negligence, the cases in which damages were recovered would approximate pretty close to one hundred per cent, and that in any case in which damage was not recovered it would be a case where the party at fault was totally unable to satisfy the claim.

It must be realized that not many owners are in this class. Most people who drive a motor vehicle and particularly those who are negligent or careless, will leave no stone unturned to enable them to continue to drive and that extraordinary efforts will be made to raise the amount necessary to satisfy a damage claim or any money that is required to enable them to keep and operate car even at great sacrifice.

It must be realized that a great volume of accidents are small and under \$100.00 and those people who suffer from such accidents and their inability to collect compensation are much more numerous and vociferous than any other kind.

It is most exasperating to have a judgment for a small claim, of \$10.00, \$15.00, maybe \$40.00 or \$50.00, in respect of which the party responsible can figuratively speaking sit back and laugh. Our exemption laws are generous, costs of realizing small claims by execution considerable, and with the element of chance of failing to realize even sufficient to return costs so great, that many refuse to make an effort to collect and take their dissatisfaction out in talk.

IT IS RESPECTFULLY SUBMITTED that if the Safety Responsibility part of the Motor Vehicle Act were amended to remove the limit in respect of which payment can be enforced by the suspension of licenses, such an action will alleviate and remedy, if not completely almost completely, the status of the compensation situation and will have a tendency to create in the

minds of the driver a desire for safety and fear for the consequence of negligence.

Ths Association is vitally interested in the prevention of accidents by the elimination of carelessness rather than compensation. It is anxious that every step taken should tend to provide safer driving and is sure that driver and pedestrian education is the surest way to avoid injuries that will occasion damage and require compensation, and legislation that penalizes the person responsible rather than provides compensation will have a much more and far reaching effect.

CHARLES H. GRANT,  
Counsel for Alberta Motor Association.

ALBERTA SAFETY COUNCIL

Not very many years ago a person infected with tuberculosis was under sentence of death. Early diagnosis meant only a longer interval between sentence and execution. Ignorance was bliss.

The tremendous task of changing a fatalistic outlook, in vogue for centuries was undertaken as soon as science demonstrated that there was hope of successful treatment. Public education was undertaken by every means, and now it seems safe to forecast complete victory over tuberculosis in the not too distant future and we are properly spending millions of dollars to ensure the victory.

The same sort of battle is being waged against every other disease by scientists, governments and an enlightened public, and yet, one of the greatest killers and maimers is receiving such scant attention that it may be said that nothing has been done to control it.

THAT KILLER IS ACCIDENT

According to the report of the Alberta Vital Statistics Branch for 1946, only TWO DISEASES caused more deaths than did accidents.

1. Diseases of the heart . . .	1721
2. Cancer . . . . .	860
3. Accidental death . . . .	456
4. Pneumonia . . . . .	362
5. Tuberculosis . . . . .	306

In the age group from 1 to 35 years accidents are the leading cause of death. Even tuberculosis, which is most virulent among the young, takes second place.

It is not the purpose of this memo to decry or minimize the efforts being made to combat disease. But rather, the above comparisons are drawn to point out the importance of accidents

as a cause of death, and the desirability for a policy of accident prevention proportionate to the need. Interest and support is just as essential to accident prevention as to any branch of disease control.

Our thinking on accident prevention compared to our thinking on preventive medicine is still in the dark ages. We list below, dangerous beliefs that are common among otherwise well informed people. These beliefs are all fallacious but are so persistent that they constantly block the efforts of safety organizations to make progress.

**Here They Are:**

1. Accidents happen to the "other fellow".
2. It's up to the "other fellow".
3. An accident will get you when your number's up.
4. Accident occurrence is governed by the law of average.
5. Accidents are the inevitable price of progress.
6. We can look out for ourselves.
7. Accidents are "Acts of God".

When we eradicate these beliefs—when we find the hazards and the true reasons for needless deaths and injuries and eradicate them, the science of accident prevention will confidently match the life saving miracles of preventive medicine.

The KNOW HOW of accident prevention is much further advanced than is generally understood.

Properly supported Safety Councils all over the continent are making a great contribution to safe acting and safe thinking.

The following is the outline of a plan of action to be undertaken by the Alberta Safety Council.

**Memorandum:**

The Alberta Safety Council should be the parent body having local chapters in the cities and towns of the Province, each chartered by the parent body.

**Background:**

The possibilities of accident prevention education were first studied by a small group of public spirited Edmontonians in the closing months of 1946. The study led to the conclusion that:

- (a) A Safety Council should first be formed in Edmonton.
- (b) That when experience had been gained in Edmonton a provincial organization should be attempted.

Incorporation was granted under the Societies Act, on December 12, 1946, for both Edmonton and Alberta Safety Councils.

In the two years of operation of the Edmonton Safety Council, very valuable experience has been gained. A highly

qualified Safety Advisor is employed full time, and a most comprehensive library of information has been built up. The Edmonton Safety Council has become recognized as a useful civic body, its work reaching into industry, traffic, fire prevention, and the teaching of safety in schools.

Each one of our Directors represents a body of people such as: Service Clubs, A.M.A., Home and School, Community Leagues, Women's Clubs, Commercial Travellers, etc.

The Provincial Safety Council would initiate and direct a year-round programme of safety education.

### **Functions:**

It would be the coordinating body for all safety efforts in the Province, and would provide safety educational ideas and material to all chapters.

Continuity of ideas and material is assured through our affiliation with the National Safety Council in the United States, the greatest accident prevention organization in the world. There is no jealousy among those working for safety, and we exchange information with over forty provincial, state and city councils in the U.S.A. and Canada.

The first undertaking should be to organize chapters in Lethbridge, Medicine Hat and Red Deer, and to assist Calgary in enlarging the scope of the safety efforts of their present council.

Other large towns would gradually be brought in until a network of safety councils or chapters covers the province. Each local council would be chartered by the Alberta Safety Council, and would be eligible for the services to be provided.

### **Service to Chapters:**

The first service would be to assist in organizing local chapters. This would be followed up each year with help at the time of their membership campaigns.

A library of films should be purchased and made available to local chapters.

Subscriptions to certain safety publications should be provided.

A monthly safety newsletter should be published about Alberta Safety activities and problems.

Each council would participate in the year-round traffic safety campaign known as "Operation Safety". This is an international campaign which deals with a different phase of traffic safety each month on the air, in the press and by posters and pamphlets. It is originated and is co-ordinated by the National Safety Council, and has been used in Edmonton since April, 1948.

Safety Lesson Units, as prepared by the School and College Division of the National Safety Council would be available to

local safety councils for the schools in their area. These lessons and teaching guides are supplied for use with Grades I to III, IV to VI, VII to IX, and X to XII. They are designed to provide a fresh, interesting lesson once per week on the principles of accident prevention. They can be used as separate lessons if the time is available, or may be integrated with other studies.

Local councils would, in short, be served with every aid necessary to the success of their operation.

### **General Notes:**

#### **BOARD OF DIRECTORS:**

THE EDMONTON SAFETY COUNCIL DIRECTORS HAVE AGREED TO SERVE TEMPORARILY AS DIRECTORS OF THE ALBERTA SAFETY COUNCIL AND CARRY ON THE WORK OF PROVINCIAL ORGANIZATION UNTIL SUCH TIME AS A REPRESENTATIVE PROVINCIAL BOARD CAN BE FORMED.

### **Government Participation:**

Several departments of Government could be of great service to safety.

The Department of Economic Affairs—It is the department dealing particularly with public relations.

The Provincial Secretary—This department has the licensing all motor vehicles and drivers.

Agriculture—through the District Agriculturists farm safety could be brought to the whole farm population.

Education—the safety training of young children is of immense value, and could be assisted greatly by supervisors, teachers and school trustees.

The Compensation Board—because they are doing a fine job on accident prevention in industry and are aware of the effect of “off the job” injuries to workers.

The Highway Traffic Board—They are in control of commercial vehicles.

HOWARD STUTCHBURY,  
Secretary.

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To the Members of Legislature of the Province of Alberta.  
Gentlemen:

We, the members of the Alberta-Saskatchewan Mennonite Conference present the following brief:

We regard government as ordained of God for the protection of the just and the punishment of the evil-doer.—Romans 13:1-4.

We express our appreciation for consideration given by our government to minority groups who feel they have scriptural

reasons for certain stands they take regarding government law as it affects individual conscience.

We would appeal that when the Alberta Legislature, in its forthcoming session, deals with the question of automobile insurance that consideration be given to groups and individuals who have a conscience against insurance and that compulsory insurance be not imposed upon them.

Yours very truly,

M. D. STUTZMAN,  
Secretary of Conference.

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## **ALL CANADA INSURANCE FEDERATION**

### **RE: ALBERTA GOVERNMENT AUTOMOBILE INSURANCE**

On the published invitation of the Special Committee of Inquiry into Government Automobile Insurance of the Legislature of Alberta, this memorandum is submitted by the All Canada Insurance Federation. The Federation has a membership of two hundred and thirty-four insurance companies: Tariff and Non-Tariff; Stock, Stock Mutual and Mutual, all licensed and doing business throughout the Dominion. The majority of these members either do automobile insurance, or are interested in it through affiliated companies, and it is their viewpoint which we submit.

For purposes of convenience, the memorandum is divided into three parts:

- Part 1: A resume of the basic methods of approach to protect the public against loss due to injuries resulting from the operation of motor vehicles;
- Part 2: A survey of facts relating to government provided automobile insurance, and
- Part 3: Recommendations and conclusion submitted by the Federation.

If additional information is desired, or the Federation can be of any assistance to your Committee, we shall be glad to co-operate in every possible way.

The purpose of all legislation regulating the use of motor vehicles should be:

- (a) To reduce accident frequency on the highways.
- (b) To ensure that victims of negligent driving are reasonably compensated for loss.

Compensation is merely the apology for the accident that should have been prevented.

Whilst these objectives are distinct, they are in their effect, however, inter-related. Laws and regulations which will—with strict enforcement—curtail the number of accidents, are limited to Rules of the Road for safe driving and penalties for infringement of such rules.

## PART I.

Apart from strict enforcement of traffic laws to prevent the accidents which should not occur, there are four basic methods of approach to protect the public against loss due to injuries resulting from the operation of motor vehicles.

A. *Compensation Plan*—Columbia University published a study on the possibilities of a system which would provide compensation to the victim of all motor vehicles in 1932. It was undertaken as abstract research and no recommendations were made. The findings were published merely for general information.

### Advantages:

1. It accepts the inevitability of automobile accidents, and provides compensation to all victims.
2. Claims should be capable of settlement quicker because:  
(I) no investigation is required to determine liability;  
(II) no litigation to establish common law rights is permissible.
3. The plan is administered by an appointed board, and Courts will be relieved of litigation in automobile accident cases. (This relief of the Courts, however, is not as great as it may appear as, in Canada, the large majority of cases are settled today without recourse to the Courts.)

### Disadvantages:

1. Compensation is paid to everyone, whether a drunken pedestrian, a negligent driver, a criminal escaping from the police, or the irresponsible individual who is injured due to his own carelessness. Fault, or negligence, in no way affects the right to obtain compensation.
2. It discriminates against the motorist, who is required to pay the cost, even though vehicles causing damage come from another territory and have thus made no contribution.
3. Motor vehicle accidents are, as a rule spectacular and attract public notice. Accidents in the home are not similarly publicized. If we assume that accidents cause suffering and economic loss, and measures should be taken to safeguard the public from such losses, why should not the compensation plan be extended to cover loss from accidents arising from *whatever cause*?

We give accident statistics from "*Accident Facts*", 1948 edition, published by the National Safety Council (U.S.A.) :

	Motor Vehicle Accidents	Home Accidents
Fatalities	32,300	34,500
Non-fatal injuries	1,150,000	5,200,000

Although similar statistics are not available for the whole of Canada, the Department of Labour of the Province of Manitoba reports:

	Motor Vehicle Fatalities	Home Fatalities
1947	70	138
To June 30, 1948	20	79



4. It is economically wasteful because:

- (I) the cost is uncertain; it depends on the scale of benefits. Without experience, it is impossible to estimate what the actual cost might be. If put on the basis of Workmen's Compensation Act benefits in the State of New York, the Columbia Report states the estimated cost would be approximately 161 per cent that of Compulsory Automobile Insurance in the State of Massachusetts.

NOTE: Such costs in Massachusetts have risen steadily, and cover reduced, so the 161 per cent given, applied to present rates, must be increased accordingly.

- (II) the plan is likely to result in claims when the injury was not caused by a motor vehicle accident. Legislation which encourages dishonesty and fraud is undesirable.

5. Workmen's Compensation Acts have been quoted as having reference to such a plan. We point out:

- (I) The employee, who would take the place of the pedestrian or any third party involved in an automobile accident, is under the control of the employer.
- (II) The employer can lay down rules for safety in his plant and the careless workman may be discharged.
- (III) The employer is also under control of government inspectors who have access to his place of business and can see that machinery is properly guarded and safety regulations enforced.
- (IV) The workman receives a scale of benefits determined by his earnings.
- (V) The premium which the employer pays to the compensation fund is charged against the cost of the manufacture of the product sold or the services rendered and the purchaser, therefore, pays the cost in the final analysis.

This situation is entirely different from that of the motorist, who has no control over the pedestrian or third party involved, and who in turn cannot be controlled by law to the same degree as the employer. Finally, the motorist pays for all and must himself absorb the payment—he cannot pass it on.

6. Costs will not be materially reduced:

- (I) Investigation is still necessary to establish:
  - (a) that injury was due to an accident;
  - (b) that the accident was in fact due to the operation of a motor vehicle;
  - (c) the extent of injuries; and
  - (d) the compensation to be allowed therefor.
- (II) The removal of responsibility from the driver of an automobile and the feeling that some other author-

ity has assumed it, will inevitably lead to more careless driving and consequently more accidents.

7. The greatest objection to this Plan is its denial of Common Law rights. It has been under the Common Law over a period of centuries that the English-speaking nations of the world have achieved their unique success in establishing and maintaining the freedom of the individual. The Common Law has had faults in the past, but the high standards of the judiciary have remained unimpaired, and justice has long been rendered impartially and on the merits of each case.

One of the basic principles of the Common Law is the freedom of the individual. But if, in the exercise of his freedom, any man causes injury to another, whether by physical act or by word oral or written, and thus impairs the freedom of the person injured, he shall be bound to remedy the injury or pay a sum in damages in compensation. Thus the negligent operator of a motor vehicle, or the man who slanders or libels another, is responsible in damages to those suffering injury or loss due to his improper use of his freedom.

Under the Compensation Plan, specific awards are made for specific injuries, without in any way considering whether anyone was at fault in causing them, and in all cases paying such awards from funds collected from motorists who may often be in no way at fault.

8. The primary basis of the Compensation Plan theory is the inevitability of accidents. This is a doctrine of futility. Reinforcement of proper traffic laws, and education both of the motorist and pedestrian, will bring about a reduction in motor vehicle accidents. We cite the case of Seattle, Washington:

Fatalities (1945)—110

Fatalities (1946)— 79

Fatalities (1947)— 61

The result was achieved in Seattle by:

- (I) Strict enforcement of traffic laws. Prosecution for violations increased from 19,000 in 1946 to 30,000 in the first eight months of 1947.
- (II) Increasing the number of motor-cycle policemen.
- (III) Requiring all offenders to attend a traffic school from which discharge was earned only by securing good school reports.

- B. *Compulsory Automobile Insurance Plan*: This plan has a certain appeal to the public, not to be confused with the Compensation Plan. The man on the street is more interested in protecting himself, not against his own carelessness or errors of judgment, but against loss suffered by him beyond his control and through the fault of a third party. But the implications involved are not realized.

The following merits are claimed:

- (I) It provides evidence of financial responsibility, as insurance is made a prerequisite of securing an owner's or operator's license.
- (II) Such a plan is in force in Great Britain, the Scandinavian countries (Sweden, Denmark, Norway), Australia, New Zealand, and, in North America, the State of Massachusetts.

**Demerits:**

- (I) It does not promote safer driving, or reduction of accidents.
- (II) Experience outside North America is of little value.

In Britain and the Scandinavian countries mentioned, the cost of ownership and maintenance of a motor vehicle is high. Possession is a luxury. It is not surprising, therefore, that when compulsory automobile insurance was introduced in Britain, 90 to 95 per cent of the cars already carried insurance and were owned by individuals who were in any event financially responsible. In North America (Canada and the United States), an automobile is considered an essential and is owned and operated by a multitude of individuals who are not in the same financial position. In Great Britain there is one car, truck or pleasure vehicle, to every 23 persons; in Sweden, one to every 30; in Canada, in 1946, one to every 8.4; Alberta, according to the Dominion Bureau of Statistics, has only 5.8 persons to each vehicle registered.

We have stated compulsory automobile insurance does not promote safer driving. The experience in Massachusetts, the only jurisdiction in North America adopting this form of law, is as follows:

1. In the first ten years of operation, injuries resulting from automobile accident increased 88.5 per cent, although registration only rose 20.5 per cent.

2. Rates have increased over 22.5 per cent, despite reduction in cover. In New York State, over the same period, rates increased only 4 per cent, with increase in cover. Registrations in the State of New York rose proportionately.

3. Rates are subject to political control, and even the State Insurance Commissioners have reported they are not adequate in relation to experience. Twelve insurance companies have failed because of this.

4. Removal of the privilege of exercising underwriting judgment from insurers. No serious attempt has been made by the authorities to deprive an automobile owner of insurance when his previous acts demonstrate him to be a menace on the highways. This condition results from heavy political pressures and influences.

5. The number of claims increased, mainly in cases where, without political interference, no insurance policy would have been issued.

6. Fraudulent claims increased because many suffering accidental injury try to establish it resulted from a motor accident.

It is significant that the newspapers of Massachusetts, which almost unanimously proclaimed the introduction of compulsory insurance as a safety measure, are now as unanimously demanding its repeal, and the introduction of safety responsibility legislation.

The subject has been studied by the legislatures of many States of the United States. The list is available on request. In no case has any State adopted the Massachusetts law. Mr. Justice Hodgins, in his report to the government of Ontario in 1930, definitely rejected compulsory insurance. A Commission appointed in 1943 by the Attorney-General of Manitoba also studied the question and, rejecting compulsory insurance, reported in favour of the Safety Responsibility Law in force in New York State, with certain additions, such as the impounding feature and the establishment of an Unsatisfied Judgment Fund.

C. *Financial Responsibility Laws*: These were in force in Canada and the United States prior to development of the present improved form known as *Safety Responsibility Laws*. Your Committee is aware of the defect of the financial responsibility law which allowed an individual, however irresponsible, to operate a motor vehicle until judgment in damages was secured against him; thus, where recovery seemed doubtful, the victim preferred to accept the inevitable, without spending money to obtain a worthless judgment, and the irresponsible driver remained on the highway. We assume it was to prevent such cases that your present form of law was enacted.

D. *Safety Responsibility Laws*: This system is a development of the financial responsibility law and differs from it primarily in that it calls for the imposition of penalties as soon as the accident loss occurs, instead of withholding them until court judgment has been rendered, except when the owners and drivers involved have established proof of financial responsibility. A modified form of safety responsibility law is incorporated in The Alberta Automobile Accident Indemnity Act and is known to your Committee. We cite examples of the effectiveness of Safety Responsibility Laws under Part III of this memorandum.

## PART II.

### Government Provided Automobile Insurance:

We now come to a presentation of facts relating to government provided automobile insurance:

I. It is significant, in our opinion, that the most socialized states in the world, namely the Scandinavian countries, have **never** considered, or, if considered, have rejected, the theory that the State is better able to provide insurance than free enterprise. The socialist government of Great Britain has specifically stated the insurance business is of such a specialized nature, and is so adequately administered by free enterprise, that no attempt will be made to nationalize it.

2. The Government of New Zealand decided in 1903 to enter the business of insurance. Although New Zealand has enacted a compulsory automobile insurance law, there is no requirement that such insurance be purchased from the State Insurance Office. The State Office engages in all classes of the insurance business on a competitive basis with private insurers, so that any automobile owner or driver who requires insurance is completely free to choose his insurer. After 45 years in business only some 13.5 per cent of the insurance business of New Zealand is placed with the State Insurance Office.

3. There are, to our knowledge, only two states which have instituted a government monopoly in providing automobile insurance. These are:

- (I) Costa Rica, a Central American republic which, however, has not enacted any compulsory automobile insurance laws as far as can be discovered; and
- (II) The Province of Saskatchewan, which is the only state in the world which has made a form of automobile insurance compulsory and which compels its citizens to purchase such insurance from the State.

#### **The Saskatchewan Plan:**

1. The Saskatchewan government states that its plan is based on the theory that "the great majority of motor accidents do not involve dangerous drivers" and "most of those involved in accidents are normally responsible people" who are "sometimes guilty of momentary neglect or carelessness".

It has, however, been amply demonstrated that an individual who has had one or more accidents is more likely to have another than one who has not. "The Accident-Prone Driver," a study sponsored by the U.S. Department of Agriculture, in which nationally recognized authorities in the field of traffic safety collaborated, reveals that the total accidents suffered by the 29,531 drivers, selected as a fair random sample and whose accident records were the basis of the study, over a six-year period, fell not into groups equivalent to those which have been established had the distribution been according to chance, but into groups indicating more than the expected number of accident-free drivers, more than the expected number of drivers who had a high accident rating, and a lesser number with an intermediate rating. Of special significance is the fact that, WHILE ACCIDENT REPEATERS CONSTITUTED BUT 3.88 PER CENT OF ALL DRIVERS, TOGETHER THEY CAUSED 39.8 PER CENT OF THE FATAL ACCIDENTS AND OVER 36.4 PER CENT OF ALL THE REPORTED ACCIDENTS. Moreover, the figures show that drivers who were accident-free in either half of the six-year period, as compared with those who had one accident, had in the other half of the period only one-half as many accidents as those in the one-accident group, and only one-seventh as many as those who had four accidents. It was discovered that accident repeaters tend to shorten the time between accidents as accidents accumulate. The fourth accident, for example, tends to follow the third more closely than the third followed the second. A study sponsored by the Chicago Park District and made in co-operation with the W.P.A.

similarly indicated that the "accident repeater" is more likely to have accidents in the future than the average driver; that his accidents occur closer together; and that he accumulates more personal injury and more "at fault" accidents than the average "single accident" driver.

Dr. C. S. Slocombe, of the Personal Research Federation, New York, selected a group of one hundred operators involved in fatalities and another of the same number picked at random. Of the group involved in fatalities thirty-five had bad records for the preceding year as against five of the other group.

2. The Saskatchewan system is based on the Compensation Plan, combined with compulsory insurance. THE DISADVANTAGES LISTED UNDER BOTH THESE HEADINGS APPLY TO THE SASKATCHEWAN LAW. As originally introduced, The Saskatchewan Automobile Accident Insurance Act was held out by the government as the ultimate ideal in protection for the public: benefits available to any citizen of Saskatchewan who suffered bodily injury in a motor vehicle accident.

3. The government was made to realize the motorist received little value for the money exacted. It was being used to finance a limited social welfare scheme. "Protection" was, therefore, extended to include Collision damage, subject to \$100 deductible. This change was made in 1947. Again, in 1948, because the motorist was still not getting value for his money, the government added \$5,000/\$10,000 public liability insurance, and \$1,000 property damage insurance, with \$100 deductible.

Statistics prove five of every six property damage claims are for less than \$100. The Saskatchewan government, therefore, denies the motorist protection in five of every six claims. An insurance company cannot issue such a policy, as the Provincial Insurance Acts expressly prohibit it.

Legislation has now been enacted whereby the government is not liable under its Compulsory Automobile Insurance Act unless and until all indemnities payable by private insurers have been exhausted. The normal procedure, when more than one insurer is interested in a claim, is to pro rate the liability among the insurers involved. Until this new legislation was passed, the government agreed to pro rate its claims under the \$100 collision cover with private insurers. Now the government no longer pays claims, even though the compulsory insurance levy has been received, when the motorist decides it is in his best interests to insure with free enterprise companies. It also provided that when other insurance is obtained from the government operated Insurance Office, the compulsory fund assumes first liability, and the Government Insurance Office is only liable for the excess, if any. Such legislation in no way affects the protection given the private company policyholder, but it does appear to be an attempt to evade the government's just liabilities at the expense of free enterprise.

4. As in all socialist legislation, the general effect is one of levelling, and this level is downward. Admittedly, it is an advantage to the careless driver to receive compensation for an

injury he himself may suffer on the same scale as does the victim of his negligence.

The Columbia Report is predicated on the basis that no compensation plan can be effective without entire withdrawal of Common Law rights. In Saskatchewan an injured person may sue the negligent driver for damages incurred. Common Law rights have not been withdrawn because the government realizes it cannot pay adequate compensation in just and serious cases at the benefits provided at present premium rates. For reasons best known to itself, it provides these minimum benefits in many cases when no recovery could be obtained in the courts.

We cite a typical case for comparison, that of *Young and Young vs. Otto* (1948) 1 Dominion Law Reports, page 283, which took place in Alberta. In this case, husband and wife took action against the motorist after an accident which caused severe injuries to the woman and resulted in the amputation of one leg. General damages were fixed at \$11,000 plus \$317.50 for loss of or damage to personal effects. Special damages in favour of the husband were assessed at \$3,625.77. They included medical and hospital expense, loss of services, etc. The degree of fault of the defendant was fixed at 60 per cent and that of the female plaintiff at 40 per cent. The final judgment for her was thus for \$6,790.50, and for the husband, \$2,175.45.

Here is what the woman would have received under the Saskatchewan Compensation Plan:

Amputation of leg . . . . .	\$1,350.00
Weekly Benefits (\$12.50 a week for 6 weeks—the maximum payable to any housewife) . . . . .	75.00
Supplementary Allowance (maximum allowed) . . . . .	175.00
	<hr/>
	\$1,600.00
	<hr/>

5. Public comment has been aroused throughout the Dominion by the C.C.F. claim that the cost of "adequate" insurance in Saskatchewan is lower than anywhere else in the world. The statement is made in C.C.F. propaganda that such insurance costs only \$4.50 or \$6.00 in Saskatchewan while elsewhere in Canada private insurance companies charge a minimum of \$45.00. How this figure is determined is unknown to the Federation as no comparable basis exists in Canada or, to our knowledge, elsewhere in the world.

Apart from the compensation benefits, let us examine the relative costs of insurance, particularly because erroneous statements have been made in connection with the costs of insurance excluding such compensation:

- (I) The Saskatchewan rate of \$4.50 applies only to vehicles with a wheel base under 111". Only such light vehicles as the small English cars, the old model Fords, the jeep, etc., fall into this category. For practical purposes, \$6.00 is the general rate.

- (II) From the socialist government advertisements, the unadvised reader is led to believe that \$6.00 is the maximum premium payable for any motor vehicle. This, however, is not the case. Premium rates range up to to \$400.00. This is not contrary to insurance practice, but it is an indication how publicity may mislead the public.
- (III) Although the \$6.00 rate is advertised, the fact that the owner, and every driver of the vehicle, must pay an additional one dollar premium as a prerequisite to obtaining a driver's license is not made clear.
- (IV) Another feature, conveniently overlooked by the Saskatchewan government, when comparing its rates with those of private companies, is that no rebate is made for winter storage of the vehicle. In Saskatchewan, 25,564 motor vehicles are registered in cities. Comparatively few of the 122,642 vehicles not located in cities can operate from mid-November to the end of March each year, and from private enterprise insurance companies such vehicle owners receive a substantial rebate.
- (V) The following comparison is submitted of rates charged passenger type vehicles in Saskatchewan, used for business and pleasure, for \$5,000/\$10,000. Public Liability, \$1,000 Property Damage, and \$100 Deductible Collision cover:

	Sask. Gov't	Insurance Companies	
Vehicle: (\$100 deductible in Property Damage claims occurring in Saskatchewan)	\$ 6.00	\$11.00	(No deduction in Property Damage claims, and including all drivers authorized by the owner to use or operate the vehicle)
Drivers (Owner and 3 members of family)	4.00	Nil	
Collision (\$100 deductible)	Nil	17.00	
	<hr/>	<hr/>	
	\$10.00	\$28.00	
Less winter lay-up (average basis)	Nil	10.00	(4½ months)
	<hr/>	<hr/>	
	\$10.00	\$18.00	

Again we emphasize that in Saskatchewan **Property Damage** claims, the government makes a \$100 deduction. Statistics prove five of every six property damage claims are for less than \$100. The insurance **company** rates, therefore, compare favourably with those of the government.

- (VI) Saskatchewan has made insurance with the government compulsory. The government estimated the number of vehicles insured before its plan came into effect at 15 per cent, largely located in the built-up areas.

A fairer comparison of government rates is with those charged by insurance companies in rural Mani-



toba. An estimated 90 to 95 per cent of all vehicles are insured, thus giving a spread of risk comparable with Saskatchewan. The standard automobile policy costs \$7.00 plus \$11.00 for a \$100 deductible Collision cover. There is no \$100 deduction in Property Damage cases, and due allowance is made for winter storage of the vehicle.

(VII) Here are typical conditions which are disregarded by the Saskatchewan government to create the impression that it is providing services at low cost for which free en-prise charges an exorbitant price:

	Toronto Area	Saskatchewan
Population	1,025,000	845,000
Land Area	244 sq. miles	251,700 sq. miles
Motor Vehicles		
Registered (1946 figures)	146,634	148,206
Registered vehicles per sq. mile	600	0.588
Population per sq. mile	4,200	3.35

Obviously, under congested traffic conditions, exposure to risk of accident is greater. Private insurers adjust rates entirely on experience in a particular area. A higher rate for the Toronto area, as opposed to Saskatchewan, is thus inevitable, unless the rural motorist is forced to pay higher premiums for the benefit of the city operator. For ready reference, and to show the variation in experience between city and rural areas, here are the rates in Manitoba for the standard policy and including \$100 deductible collision:

Greater Winnipeg	\$43.00
Rural Manitoba	19.00

For general information, we give the following statistics which, as those given above, are compiled from information contained in "The Motor Vehicle in Canada; 1946", issued by the Dominion Bureau of Statistics.

	City Registrations	Other than City
Alberta	32,958 (23.73%)	105,910 (76.27%)
Sask.	25,564 (17.25%)	122,642 (82.75%)
Manitoba	39,056 (38.63%)	62,034 (61.37%)
Ontario	330,605 (46.49%)	380,501 (53.51%)

### PART III.

#### Recommendations:

1. Alberta has on its statute books The Automobile Accident Indemnity Act, which contains the basic provisions of a Safety Responsibility Law. Operation and Enforcement of Safety Responsibility Laws prove their success. We give the following statistics, based on each 1,000 vehicles registered:

	New York State	Manitoba Injuries
Before Safety Responsibility Law: Accidents	29.52%	17.3 %
After introduction of Safety Responsibility Law: Accidents	22.7	13.3
DECREASE	23.11%	23.1 %
FATALITIES—		
Before Safety Responsibility Law	1.04%	.77%
After introduction of Safety Responsibility Law	.788	.62
DECREASE	25.2 %	19.5 %

In our opinion, based on experience in Manitoba and the limited experience in British Columbia, the primary requirement to make the Alberta law completely effective from the standpoint of accident prevention, is introduction of the impounding provision for any vehicle involved in an accident where the owner has not previously established proof of his financial responsibility. In Manitoba, since inception of the Safety Responsibility Law, 2,116 drivers have had their licenses suspended pending proof of financial responsibility. 1,148 are still (as of December 20, 1947) suspended. 2,119 motor vehicles have been impounded. Only 150 remain in pound. This would indicate that many drivers were not owners of the vehicle involved. Manitoba considers there is a significant relation between the 2,116 drivers who have been "processed" by suspension of license, and the reduction in injuries and fatalities on the highways. Resulting from the favourable experience which the Safety Responsibility brought about, insurance premium rates have, since the law was brought into effect, been reduced by 30 per cent in the rural areas and a little over 10 per cent in the greater Winnipeg area.

2. We believe it is the function of the government stringently to enforce traffic laws to reduce accidents. Compensation for injuries received in a motor vehicle accident is merely an apology. Unless a government is willing to absorb the cost of indemnity by taxing the consolidated revenue of the province, we affirm that the cost of protecting the public property, whether by free enterprise or by the state, is bound to increase until fatalities and injuries on the highways are severely curtailed.

3. The Safety Responsibility Law, requiring that the registration and driving permits of all owners and drivers involved in an accident be suspended until proof of financial responsibility is established, is the simplest and most equitable way to ensure any victim due compensation for damage suffered. The amount of indemnity may be established in Court by the applicant, and is not assessed arbitrarily by the State.

The Unsatisfied Judgment Fund is available in cases where the negligent driver is not insured. There is no element of compulsion for the uninsured motorist to purchase insurance. It is

only when an accident occurs, and proof of financial responsibility has not been previously established, that any hardship or expense can be incurred.

The comprehensive Assigned Risk Plan was put in force by the insurance companies to provide protection for motorists who through infraction of the law or for some other reason were not a normal insurance risk. It is designed so that the individual who can prove that he should have a second chance gets that chance. The procedure, however, is such that the seriousness of the matter is impressed upon him, and he realizes that if he does not conduct himself and his motor vehicle in a proper manner in the future he will be unable to obtain insurance and will be ruled off the road. It gives the man entitled thereto another chance, and finally eliminates the man who should not be on the road.

### **Conclusions:**

We, therefore, submit:

1. The cost of insurance is governed by experience.
2. Compensation Plans will not improve experience.
3. Compulsory Insurance will not improve experience.
4. Government Insurance will not improve experience.
5. The Saskatchewan modified form of combined compensation plan and compulsory insurance has not, and will not, improve experience.

6. A Safety Responsibility Law, properly enforced, and operating in conjunction with an Unsatisfied Judgment Fund and a comprehensive Assigned Risk Plan, is the only form of law, which, in due course, will:

- (I) Reduce motor vehicle accidents;
- (II) Assure the victim of adequate indemnity for damages incurred;
- (III) Improve experience; and, therefore,
- (IV) Lower the cost of automobile insurance.

7. The Safety Responsibility Law, wherever enacted, has achieved its results through free enterprise insurance companies, and without need of Government provided insurance.

W. C. BUTLER,  
President.

## CANADIAN MANUFACTURERS' ASSOCIATION

Hon. A. J. Hooke, Chairman, and  
Members of the Special Committee of  
Enquiry on Government Automobile Insurance,  
Gentlemen:

Following the resolution passed on March 22, 1948, in the Alberta Legislature, appointing your committee to ascertain the advisability or otherwise of the Alberta Government providing the people of Alberta with Government Automobile Insurance, we thank you for the opportunity given us to submit our views.

Members of the Alberta Branch, Canadian Manufacturers' Association, after careful consideration, have gone on record as being opposed to the principles of the Alberta Government entering the automobile insurance business, as it would be an encroachment on private enterprise. We feel that politics should be dissolved from private enterprise, and that independent automobile insurance companies with their long years of experience are in the position to give the general public more dependable and better service throughout the years. Such companies do not show partiality between one individual and another, and we are definitely of the opinion that individual automobile insurance companies should be encouraged in the future, under existing government laws and regulations.

One very important angle is that a large number of citizens of Alberta make their living by handling automobile insurance, together with other kinds of insurance, and it does not seem quite fair that a government should enter into what is considered private business.

While there might be some advantage to the man in the street by possibly getting his automobile insurance cheaper, that is, assuming that it would be cheaper, we are of the opinion that the government has so many complex problems to deal with, that the automobile insurance business might very well be left to companies who do nothing else, especially as there is, so far as we know, no general complaint against the rates or methods of the insurance companies who now handle automobile insurance.

On general principle we feel that the function of government does not include intruding in the efforts of private enterprise. Doubtless the government might make a good effort to provide insurance at cost, but in general our observation has been that governments seldom can conduct business as cheaply as private enterprise.

We trust that the views submitted on behalf of our membership will be of some assistance to your committee.

Respectfully submitted,

T. ASHENHURST,  
Manager, Alberta Branch,  
Canadian Manufacturers' Association.

## CENTRAL ALBERTA DEALERS' ASSOCIATION

The Hon. A. J. Hooke, Chairman of the  
Special Committee of Enquiry,  
Government Automobile Insurance,

Dear Sirs:

With reference to your notice published in the Edmonton newspapers, I wish to submit the following brief:

At a meeting held Monday, the 9th of August, 1948, of the above organization in Lacombe, at which approximately 30 members attended,—

“It was unanimously decided that the Provincial Government of Alberta should not undertake the business of Automobile Insurance.”

The reason given at this meeting was that livelihood was gained by a considerable number of persons in Alberta through the sale of Automobile Insurance. Furthermore it was felt that the buying public were being rendered adequate service on a competitive basis and at a minimum of cost. The reason for the interest by the Automobile Dealers of Central Alberta is that they feel if the Government take on Automobile Insurance as in Saskatchewan, dealers' investments in Body Repair Shops which total thousands of dollars would be a total loss.

Further to the above an absolute case (quoting figures and names of the insured) of an automobile wreck, under the Saskatchewan Insurance, was put before the meeting. In this particular instance the red tape kept the owner without his automobile for nearly three months, and when he did receive his car the body repair job was very unsatisfactory.

We trust this is the type of representation you are interested in.

Central Alberta Dealers' Association,  
F. ADAMSON,  
Secretary-Treasurer.

SUBMISSION OF THE  
**EDMONTON CHAMBER OF COMMERCE**  
TO THE SPECIAL COMMITTEE ENQUIRING INTO  
GOVERNMENT AUTOMOBILE INSURANCE

The Edmonton Chamber of Commerce submits this brief in the hope that it may be of assistance to the Special Legislative Committee in its consideration of the aspects of automobile accident insurance, respectfully suggesting at the same time, that in view of the complexity of the subject matter, the volumes of material arising from the extensive studies of various commissions and authorities, and the comparatively recent enactment of The Motor Vehicles Accident Indemnity Act in Alberta, as well as similar legislation in neighboring Canadian Provinces, whose experience is not as yet fully known, no action be taken until a full appreciation of all factors has been gained.

It is the Chamber's contention, however, that the efforts of the Special Committee should be directed to seeking solution in as practical and simple an approach as is possible to what is considered to be the basic underlying need, namely: reduction in the frequency of automobile accidents, together with a system of adequate indemnification for the victims of accidents.

It has often been claimed that government insurance operated on a non-profit basis will provide lower rates. Should low rates be the government's purpose, it is the Chamber's firm belief that the proper function of the government will be fulfilled by the enactment of legislation designed to reduce the number of automobile accidents so that a reduction in rates can be effected by private companies.

**Compulsory Plans.**

The whole subject of compulsory insurance was carefully considered by a Royal Commission headed by Mr. Justice Hodgins, of the Supreme Court of Ontario, in 1929, which reported adversely, and which favoured the financial responsibility legislation which has become a standard in most Canadian Provinces.

To many vehicle operators legal compulsion to purchase insurance would constitute an additional form of taxation. In the Province of Alberta less than 25 per cent of motor vehicles are registered in cities. It naturally follows that by far the greater proportion of Alberta cars and trucks are being operated in areas where the hazard is at a minimum. Many farmers, and other people living in rural areas, today utilize motor vehicles solely in the vicinity of their own operations and should they drive in the congested traffic of cities they do so with a greater degree of caution and wariness than otherwise.

The Chamber also submits that many farmers particularly prefer to keep older models for farm work when purchasing new cars rather than take advantage of trade-in privileges. As new cars become more readily available, this practice will

become increasingly popular. Under such circumstances, compulsory insurance would become doubly burdensome, constituting an additional form of taxation.

Apart entirely from insurance considerations, however, the Chamber feels it is obliged to point out the extreme reluctance with which it views the entry into the field of commercial business by governing bodies, and deplores any action on the part of governments which will exclude operations under the system of private enterprise.

At this particular stage of Alberta's development and as attention is being continuously focused on the natural resources of which we can all be justly proud, the Chamber feels that all efforts of the Government and of the citizens of the Province should be directed to encouraging the investment of risk capital under private enterprise to build our province into the industrial and agricultural empire for which it seems destined.

The Chamber commends the present administration for the progressive steps which have been, and are being taken, to interest and promote foreign investment in Alberta. It is not inconceivable that the merest whisper of Socialistic control might serve to undo the commendable progress already made. However, the Chamber doubts that it is the thought of the Government in this instance to do so, and we are heartened by the announced policy of the administration and the continued statements by its Ministers of the Government's intent to continue the development of the industries and resources of Alberta through the system of free competition.

The Chamber feels very strongly, however, that no steps should be taken to emulate the Province of Saskatchewan and that other means can be found to indicate to the citizens that their interests are being protected against negligent drivers by other than socialized measures.

### **Responsibility Laws.**

The Chamber feels that marked progress has been made by the enactment of the provisions of The Motor Vehicle Accident Indemnity Act and its provisions for the Unsatisfied Judgement Fund and commends the Government for this forward legislation. The statute possesses the double advantage of encouraging automobile owners to ensure their vehicles, while at the same time ensuring that the victim of accidents shall have recourse to a fund if injured by a negligent driver without assets.

The Chamber is of the opinion that the enactment and strict enforcement of safety responsibility laws has and will best accomplish the protection required, both by the motorist and for the public at large, with a corresponding reduction in the frequency of automobile accidents, and respectfully suggests that the strengthening of this type of legislation, e.g., with respect to the compulsory impounding of vehicles involved in accidents owned by owners who are not financially responsible

for the loss thereby caused, might receive fullest consideration by the committee. It is also respectfully suggested that prior to licensing of vehicles and operators greater consideration be given to the mechanical efficiency of vehicles and the driving ability and physical condition and prior history of operators.

### **Conclusions.**

It is respectfully submitted that :

1. No action be taken unless and until the various kinds of legislation now in force in Canada, and the operating experience under them has been fully evaluated.
2. The goal of lower insurance rates can be best achieved by reduction in the number of accidents. Government efforts should be directed to this channel.
3. Compulsory insurance can become a form of nuisance taxation and does not tend to reduce accident frequency.
4. Government entry into the field of private business is inconsistent with, and in opposition to, its announced policy of development by private enterprise.
5. Safety responsibility laws have tended to reduce accidents, and thus fulfill the basic underlying need.



## WEST JASPER PLACE TAXPAYERS' ASSOCIATION

Mr. A. J. Hooke,

I have been instructed to forward to you a copy of the following motion passed at the regular meeting of the West Jasper Place Taxpayers' Association.

### **Motion:**

Whereas, it is our carefully considered opinion that in the best interests of all car, truck and bus owners, we should have compulsory government car, truck and bus insurance;

Therefore, be it resolved that this meeting of West Jasper Place Taxpayers' Association go on record as being in favour of having our Government draft and pass an Act accordingly, at the next Legislative Assembly, such Act to become law and be effective April 1st, 1949.

A. H. ELLIOTT,  
Secretary-Treasurer.





